TRADE LIBERALISATION IN SWAZILAND
Its Impact On The Agricultural Sector

By

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TO WHOM IT MAY CONCERN

RE: CONFIDENTIALITY CLAUSE

Due to the strategic importance of this research it would be appreciated if the contents remain confidential and not be circulated for a period of five years.

Sincerely

M. F. Msibi

STUDENT'S INITIAL AND NAME

DECLARATION

This research has not been previously accepted for any degree and is not being currently submitted in candidature for any degree.

Signed..

Date...01 JULY, 2004.............................

STATEMENT

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ABSTRACT

In recent years, the world has been experiencing rapid and extensive global shifts that have had a positive and negative impact on different countries around the globe. These global shifts have also influenced the way countries conduct trade with their partners. A lot of countries, as a way of adapting to these changes, have been forced to review their trade policies to be in line with the trade liberalisation process. The expansion of markets has led to trade liberalisation, which promotes export growth in commodities. However in developing countries, they have experienced increases in imports and thus reflecting a certain level of uncompetitiveness of these countries with trade imbalances. This has also resulted in a declining purchasing power for some countries involved, export revenues falling as prices also fall due to intense competition in the world market. Studies have suggested that when countries liberalise they tend to experience some short falls in the first few years then a recovery thereafter. Agriculture is the major factor in the economies of developing countries. At least 80% of African economies are directly or indirectly dependent on agriculture. In these developing countries, a greater majority of the population lives in the rural areas where agriculture serves as a greater part of their occupation and source of livelihood. Being the engine of most African economies, the majority of the population of these countries are employed in the agricultural sector. Agricultural commodities represent by far the largest proportion of exported goods and the main raw materials for manufactured products. As a key to poverty reduction and food security, agricultural development may be seen as important.

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

Trade liberalisation is a step both developed and developing countries consciously engage in with a view to increase their economic gains and address income inequalities in their countries. Whilst policy makers do make an effort to study closely the likely impacts of trade liberalisation on their respective countries, very few are concerned with how these liberalisation processes affect countries differently especially the developing nations. Generally, in some instances developing countries and developed countries are combined together in discussions of trade impacts yet there are significant differences in the way these countries may be affected by trade liberalisations. These differences may be attributed to the existing differences in these countries' economic performance.

In recent years, the world has been experiencing rapid and extensive global shifts that have had a positive and negative impact on different countries around the globe. These global shifts have also influenced the way countries conduct trade with their partners. A lot of countries, as a way of adapting to these changes, have been forced to review their trade policies to be in line with the trade liberalisation process.

Trade liberalisation as regulated by the World Trade Organization (WTO) is a global process. This global process affects every country in the world as it seeks to establish trade in a "borderless" world with market forces running the show. Trade liberalization seeks to establish a level playing field for trade among developed (DC) and developing nations (LDCs).

There are differences that exist between DCs and LDCs, economically and otherwise. Moreover, the process of trade impacts differently on different nations (Madonsela, 2001). In the present study one will focus on trade impacts on the agricultural sector in Swaziland.

1.2 BACKGROUND INFORMATION

In the recent years trade has taken a new dimension, which no longer involves neighbouring partners but also international partners. International trade has been on the increase over the past years. It has come in different levels, and with some countries it has succeeded to supply new goods to their markets as well as increase their national income.

The expansion of markets has led to trade liberalisation, which promotes export growth in commodities. However in developing countries, they have experienced increases in imports and thus reflecting a certain level of uncompetitiveness of the region with trade imbalances. This has also resulted in a declining purchasing power for some countries involved export revenues falling as prices also fall due to intense competition in the world market. Studies have suggested that when countries liberalise they tend to experience some short falls in the first few years then a recovery thereafter.

It is however worth noting that countries that have experienced adverse trends trade especially in the agricultural sector are characterised by structural adjustment with a slow recovery pace given the correct strategies to enter into world markets, countries have a potential for growth.

Trade Liberalization, with its inherent profit motive that emphasizes export – led economic growth has impacted negatively to other countries that have difficulty in acquiring sufficiency in food. Levels of poverty and malnutrition are at unprecedented levels in countries like Mozambique and Malawi, it is anticipated that if these countries are forced to liberalize their economies any further, destruction of natural plant resources will lead to a further loss of food diversity (Madonsela, 2001).

Agriculture being the mainstay for most developing countries, there are certain issues pointed out apart from government focus and they look into issues concerning the well-being of people whom may also be considered as contributors to the economy.

1.3 MOTIVATION FOR THE RESEARCH

There is recognition of the fact that Swaziland is part of a global community and therefore there is a need to study the impact of globalisation on the Swaziland economy. There is need to maximize benefits from involvement in international trade. Global output growth is expected to rise from 2.8% in 2002 to 3.7% in 2003 (UNCTAD, 1999). GDP growth of Africa is projected to decline. Though there were notable increases in domestic demand in some of the major world economies such as the US, Europe and Asia, it is yet to be seen whether government will maintain these markets.

1.4 VALUE OF THE PROJECT

Currently the country's main source of revenue comes from traded goods and other activities that attract the payment of excise duties. The review of trade policies does not only affect the way countries trade with their partner but it also involves the review of the policies that deal directly with traded goods. Therefore a study in this area will assist the country on the decisions and strategies that will need to be reviewed so as to be inline with changes in the international trade policies that will directly affect the economic performance of the country.

1.5 WILL SWAZILAND BE ABLE TO FREE TRADE?

Swaziland as a developing country is directly affected by international trade, as she is involved both as a supplier and as a consumer in international trade. Most of the country's labour is offered to multinational corporations. Trade liberalisation emphasizes an export driven economy and production is carried out for profit. The export industry depends largely on low cost production with high technology standards in various processing zones as a way of attaining world competitiveness. However, one cannot dispute the fact that these industries are driven towards the employment of cheap and unskilled labour in order to increase their surplus value especially in LDCs.

Before the advent of Structural Adjustment Programs (SAPs), developing countries including Swaziland have enjoyed protection from tariffs and quotas for their economic activities. Such protection however has been slowly declining with the introduction of preferential trade system, which has emphasized the "roll back" of the state in economic activities and thus setting the stage for the trade liberalization process according to which unrestrained market would result in most efficient patterns of productive activity.

1.5.1 Does Trade Liberalisation, As A Model For Growth, Apply To Developing Countries Like Swaziland?

Neo-liberalism tends to favour market participants who have low production costs and have already established markets within and outside their countries. LDCs lack the machinery necessary to ensure that they compete effectively in international markets. It is therefore important to establish if the liberalisation process in the agricultural sector as regulated by the WTO (through the AOA) has been adequate enough to ensure a fair trading system.

Swaziland's position with the Southern African Customs Union affords temporary protection against competition felt by economies in other African countries. In such a situation it can be noted that in the near future Swaziland will have to come into terms with more intense competition, especially in the manufacturing and the agricultural sector from the Far East and other countries that are already established in the production of such goods, which also have the necessary technology to compete in world markets.

1.5.2 Where Does The Future Of The Country Lie In The Context Of Her Economic Status?

A major effect on the Swazi economy is anticipated as a result of trade liberalisation. It should be noted that, Swaziland as a developing country has benefited a lot from the imposition of trade tariffs. However, it cannot be disputed that protection has a tendency of deprivation from exposure hence the same should apply to business. The study sets out to investigate the impacts of trade liberalisation on the Swazi economy, which will include its advantages and disadvantages, and how the anticipated problems as a result of trade liberalisation could be handled. In many developing countries, trade liberalisation resulted in numerous restructuring programmes which some have resulted in job losses especially in the privatisation programmes. Therefore it is important to study how the agricultural sector has responded to the opening up of trade and assess how it has also affected employment in its process. The study will focus on specific trade agreements within the World Trade Organisation (WTO) that have a direct influence on the agricultural sector to analytically try and disentangle the effects that these arguments have on Swaziland.

Regardless of the fact that Swaziland is actively involved in international trade, the WTO agreements tend to overlook certain issues that draw a line between developing countries and developed countries. The WTO agreement on agriculture (AOA) has various provisions that have the effect of threatening food security in developing nations. In addition to the AOA there are other agreements like the trade intellectual property rights (TRIPS), the General Agreement in Trade services (GATS) and the Trade Related Investment Measures (TRIMS) all of which shall be discussed later in the text.

1.6 Research Objectives

The study seeks to:

- To determine the impact of trade liberalisation process on the agricultural sector in Swaziland.
- To establish the extent to which the country has been affected either positively or negatively. An economic growth of a country can be associated with a lot of factors such as employment. Therefore it is also essential to determine the relationship between

trade liberalisation in the agricultural sector and employment sector.

- To establish if there are alternative strategies that could be recommended to try and improve growth if negative effects are noted.

1.7 Research Methodology

The study shall be based on the qualitative method of research, which includes primary, secondary and tertiary data. One of the aspects of the qualitative method is through the use of exploratory techniques involving secondary data analysis, experience surveys, focus groups and two stage designs (Cooper and Schindler, 2003). There is a chance of using both the qualitative and quantitative methods, however due to poor availability of quantitative data, information acquired will be based mainly on literature. Some organisations are very reluctant to divulge information especially that which deals with their financial status. In the use of qualitative method of research focus group discussions could be used, however they are also avoided in this case due to their subjective manner.

In the process of the analysis of data, internal and external sources will be considered; such as Unstructured interviews and this will include information from relevant departments that deal with the involvement of Swaziland in international trade. Information for analysis will be presented in a tabular form acquired from internal sources such the statistics departments.

Information to be collected will serve as the foundation of the rest of the research. Other information will include sources such as Internet, statistical process control charts, books, journals, reports and newspaper articles by different authors. For accuracy of information focus groups have not been included to avoid bias information, the same applies for two stage designs. Information collected shall specifically cover the following topics:

- The general overview of trade, the trade theory and how the development of succeeding theories have introduced trade liberalisation
- The impact of trade liberalisation on Swaziland and selected developing countries with special focus on the production of agricultural goods.
- Employment and trade liberalisation in the agricultural sector.
- Case studies that have been conducted by various academics, institutions and organisations on trade liberalisations and on countries that (who hold the same status as Swaziland) took the initiative to liberalise will be used; to assess and compare with Swaziland on how impact trade has had on their economy.

1.8 LIMITATIONS OF THE STUDY

A substantial amount of information on this study will be based on secondary data due to financial constraints and as a result it will limit the scope of the research and an exploration of accurate information. Use of primary data would provide an accurate measure on the study however; due to a limited time frame a further exploration in the near future would be essential.

1.9 OUTLINE OF CONTENTS

The dissertation will consist of five chapters that are organized into subsections. It will be structured in a format that should enable the reader to understand the whole document and allow a follow up on the subsequent chapters.

1.9.1 Chapter One

This chapter consists of the introductory background of the study area, the research methodology used in the collection of data and the analysis to be undertaken in the interpretation of data.

1.9.2 Chapter Two

The chapter deals with the review of literature and the theoretical framework for the study. It will start off by looking at the historical background on trade theory and trade liberalisation. Agriculture as the mainstay of many developing nations contributes a substantial percentage to the GDP of these countries and therefore a report on the relevant figures will assist in studying the trend taken by the agricultural sector as trade liberalisation continues to exist.

1.9.3 Chapter Three

This chapter will focus on Swaziland, her overall economic performance and her revenue structure. There will also be a discussion on the agricultural sector. It will look at the A brief summary on employment will be considered as the one of the contributors to growth and it is highly concentrated in the agricultural sector.

1.9.4 Chapter Four

This chapter is set to focus on the analysis and evaluation of the difference and the link between the trade theory and the current performance of the country. It will also establish whether the relationship between trade liberalisation and agricultural sector, taking the variables involved into consideration, is a positive or a negative one. The chapter is also set to look at sectoral studies on commodities produced for agriculture.

1.9.5 Chapter Five

In this chapter the study will focus on concluding summary, recommendations and consider case studies that are relevant to the study. To support the outcome of the study will be case studies conducted for other developing countries that have taken the initiative to liberalise their economies and have responded differently to the impacts of trade liberalisation.

1.10 SUMMARY

A summary of the intents of the study has been outlined in the above sections starting with a brief overview of the economic situation of the country, the anticipated impact of trade liberalisation on developing countries and the method of data collection, which sets the background of the study. The next section will look at the different theories that have been developed by economist in addressing the trends of trade, which is chapter two of the study, and how it is related to trade liberalisation. More so a literature review on African economies and trade liberalisation would also be looked at under the same chapter.

Chapter 2

INTERNATIONAL TRADE IN CONTEXT

2.1 INTRODUCTION

The chapter focuses on the theoretical background of international trade. It is evident from the behaviour of markets that countries are gradually opening up their boarders to trade and some countries are sceptical due to the nature of their economies. The chapter continue to look at theories that have been previously developed to assess the trend that has been taken by trade in the 20th century.

Trade has also emerged with numerous trade agreements, of which the background is also covered in the same chapter. Agriculture as the main focal point is also discussed with some experiences by other countries especially developing countries.

2.2 BACKGROUND INFORMATION OF INTERNATIONAL TRADE

Studies have suggested that it is important to study the direction of trade in order to establish its consequences and understand the relationship between trade and growth. In the process of the study there are changes that may arise, which might impact on countries' methods of trade. As a result of such changes, it is ideal to note that policies of these countries will also require change to suit the environment especially in developing countries. Establishing the truths behind the impact of trade liberalisation on developing countries would be essential, since previous investigations by other sources, like Havrylyshn (1980, have anticipated a negative result.

World trade has increased rapidly during the 20th century. A rapid and sustained economic growth in some countries has kept up with this process. However, less developed countries (LDCs) have kept a very slow pace in the process of development due to the nature of their economies and as a result they have not gained much from this development. The trade regimes in most LDCs were relatively closed during the 20th century and as a result of this closure, the share that LDCs have in world trade is still low (Mill, 1989).

In that regard, it is important to note that nations are characterised by differences in their economic status. There are several factors that influence international trade amongst which will include differences in the environment and cost of production.

Countries vary in their endowment of environmental factors and this has a potential to influence their abilities to produce goods and services for the purposes of trade. Most of the differences in the environment and their consequences for production activities will include factors such as climatic conditions (temperature, rainfall distribution etc), labour supply, raw materials, and proximity of markets, technology and infrastructure. Such factors play a significant role especially in the production of agricultural goods (Joekes, 1997).

Several aspects in the environment, production, technologies and culture can also cause differences in costs (EL-Agraa, 1999). The differences are evident in the discussion of trade theories, which includes the theories of absolute advantages by Adam Smith and comparative advantage – David Ricardo. In both theories, specialisation and free trade are supposed to be conducive for economic growth. The theory holds that when the volume of output is increased, then the rate of growth will also respond positively. This theory indicates a positive relationship between output and growth. Sustainability in terms of food security also plays an important role in growth.

It is also important to study the direction of trade in order to establish its consequences and understand the relationship between trade and growth. In the process of the study there are changes that may arise, which might impact on countries' methods of trade. As a result of such changes, it is ideal to note that policies of these countries will also require change to suit the environment especially in developing countries. Establishing the truths behind the impact of trade liberalisation on developing countries would be an essential, since previous investigations by other sources, like Havrylyshn (1980), have anticipated a negative result.

2.3 TRADE THEORY

The theories of trade date back to the sixteenth century with Mercantilism. It was during that time when international trade was discovered to be beneficial to countries. In the process of developing these theories, it was noted with concern that these theories do not give an accurate recommendation for nations since countries are characterised by different economies. This also goes with their pace of economic growth.

The mercantile theory advocated export promotion whilst imports were discouraged through the imposition of trade tariffs and non- tariff barriers. During that time a lot of products were developed and prioritised for national consumption especially in the agricultural sector. The theory has served as the basis for many countries in formulating trade policies, especially in developing countries. In the process of integration and technological changes, many countries were geared towards international relations and discovered the importance of international trade.

Theorists such as Adam Smith, David Ricardo and Hecksher-Ohlin developed their theories based on the arguments of the mercantile theory. All three theorists based their arguments on free trade. Their arguments revealed that restricted trade promotes a waste in resources and does not allow growth in competitive strategies. However, in the process of development the new trade theory together with Porter's theory pointed out that limited government interventions are necessary to support the development of certain export-oriented industries (Hill, 2003). Porter in his discussion of trade points out that nations need to consider four pillars that would determine their potential in the international trade arena.

2.3.1 Theory Of Absolute Advantage

The theory of absolute advantage reveals that countries have different abilities to produce goods efficiently. It defines a country as having an absolute advantage when their production is more efficient than any other country. This trade model assumes full employment, however, in reality observations have seen a wide spread of unemployment in LDCs which may be a result of the under-utilization of human resources.

The reduction in the utilization of human resources has advantaged industries that produce for export producing goods and services at low costs as well as those that have improved production technologies (Hill, 2003). The basis of this theory, however, overlooks the issue of benefiting from trade. There are countries that have the potential to produce a good efficiently compared to a country that has absolute advantage over the same product. David Ricardo (in Hill, 2003) disputes the suggestion that nations have absolute advantage in the production of goods. He pointed out that some countries might have an absolute advantage in the production of all goods and as such may not realize the benefit of trade. In this case such a country does not need any imported goods and as a result could turn out to restrictive measure to protect their local market from competition.

2.3.2 Theory of Comparative Advantage

David Ricardo theory (in Hill, 2003) suggests that nations should export goods and services in which it has relative advantage although not absolutely efficient in the production. It was developed from Adam Smith's theory of absolute advantage and is known as the theory of comparative advantage, from which he argues that a country applying the theory of absolute advantage might not derive any benefits from trade.

Competitiveness in this case is basically determined by labour productivity, whereby the market value and prices of goods are dictated by labour costs. Ricardo views trade liberalisation as a means to allow fair distribution in price. He suggests that there would be an equilibrium price for goods that have been sold at different prices marked high and low prices at different places. The theory lays emphasis on opportunity cost being the determinant for trade patterns.

The theory emphasizes on the importance of trade in the context of trade liberalisation. In its suggestions, the potential of increased world production is better determined by unrestricted free trade.

However, certain limitations are highlighted in this theory of free trade, which overlooks certain factors that are of prime importance to a free trade situation that involves more than one nation and are outlined below:

- The real world consists of many countries and many goods. In such a case the theory of comparative advantage focuses on trade between two countries thus ignoring the issue of competition that exists among countries.
- There are transportation costs involved in the movement of goods between countries.
- Different countries have different prices and exchange rates.
- Not all countries have resources for their productions and thus involve costs in moving these factors of production. It may also have an effect on the production costs.
- The issue of diminishing and increasing returns to specialization turns out to have a negative relationship with economies of scale.
- The effects of trade on the income distribution within a country. In some countries, high revenue contributions come from trade receipts and therefore foresee trade liberalisation as a pathway to their economic downturn.

  (Hill, 2000)

David Ricardo continues in his arguments to points out that most of the overlooked factors, by his theory, outlined above cannot outweigh the benefits of free trade. The theory suggests that the problems encountered as a result of the shifts are only a short term phase, which its significance cannot be ignored but has beneficial result in the long term. However, one cannot simply ignore the above factors since they are part of a successful trade mechanism.

2.3.3 The Hecksher- Ohlin theory

Hill (2003) points out that Hecksher and Ohlin base their theory on David Ricardo theory of comparative advantage. The theory fills the gaps created by the absolute and comparative theories. Referring back on Ricardo's theory, he argues that comparative advantage is brought about by differences in productivity. Hecksher and Ohlin discovered that nations can be comparatively advantaged as a result of differences in factor endowments and thus may also cause different relative factor prices. They suggest that countries should focus in the production of those products that require the relative cheaper factors in a greater proportion. In elaboration it suggests that capital abundant countries, which are the most developed countries, will tend to specialize in capital intensive products (like high technology products, automobiles etc.) and the labour and land intensive countries like less developed countries will tend to concentrate on land and labour intensive products (such as agricultural products). In that regard, according to this theory, all countries will benefit from specialisation. The theory promotes foreign direct investment, which is highly dependent on the factors of production and its employment in terms of labour.

International trade is seen as an instrument for increasing competitiveness and hence the efficiency of industries. Favourable growth externalities arise through international trade and as a result commercial opportunities appearing with export / import activities make the market more attractive for investors. For nations to adapt to international strategies of competitiveness, they need to increase their domestic and foreign investments and also utilize their resources efficiently. Michael Porter (in Hill 2003) suggested that there are certain factors that nations need to consider in order to qualify in international trade.

2.3.4 Porter's Diamond Theory, Competitiveness And Its Application To Trade

Porter (Hill, 2003) focuses on the national competitive advantage, which is characterised by four elements namely; factor endowments, demand conditions, relating and supporting industries, and the firm's strategy structure and rivalry. Trade competitiveness can be defined as the ability of domestic markets to compete in the world markets and in higher valuated products. According to the organisation of economic cooperation development (OECD,2000), it is the degree to which a country that is under free and fair market mechanism can produce goods and services that satisfy international marketing standards. It also ensures that sustainable standards of living for its citizens are well maintained and expanded in terms of real income.

Porter (Hill, 2003) suggests that the degree to which a nation is likely to benefit from international trade will depend on the impact of its factor endowments. The presence of all the four elements is required to boost competitive performance. He suggested that there is a need for government intervention in the process of trade. Governments can shape domestic demand through local product standards or with regulations that consent or influence buyer needs. Such policies refer to the imposition of capital market regulations, tax policies and anti-trust laws.

Porter's theory (in Hill, 2003) predicts the patterns of international trade through competitiveness. In such a case, nations need to have almost all the characteristics of the theory in order to be competitive and develop a strong core for their goods. Porter's theory outlines the following points as discussed below:

- **Factor endowments**

When a nation is said to be factor endowed will consist of all the necessary factors of production, which will relate to skilled labour or the infrastructure (including technology) that will be necessary to compete in a given industry. They are an important source for competitive production. Porter (Hill, 2003) suggests that the more advanced factors of production are in a country, the better position it is in to gain a competitive advantage.

Many developing countries are characterised by lower levels of the main sources of the factors of production yet are labour intensive. In the recent years nations have used advanced technologies in their production of certain goods with the aim of cost reduction and on the other end, human labour has slowly been reduced as a result of these advanced developments. A larger proportion of this labour is unskilled and has been used in areas that have been substituted by these technologies.

In addition to these factors of production will be natural resources, climate, location and demographics, which are significant in the agricultural sector. There are also advanced factors of production, which are a result of investment by individual companies and government; they include infrastructure, sophisticated and skilled labour, research and development facilities, and technological know-how.

- **Demand conditions**

It refers to the nature of home demand for industry goods and services. The local demand for products plays a very important role in determining the success of a country in international markets. It can reshape the country's success in the global market in terms of innovation and quality of goods produced.

It should also be noted that recent consumption patterns move towards preference for sophisticated product and thus may pause as question of whether developing countries are capable of competing under such conditions (Jepma & Rhoen, 1996).

- **Relating and supporting industries (clusters)**

Nations competitiveness would be determined by its dealings with suppliers or related industries that are internationally competitive. A successful nation towards competitiveness would be the one grouped into related industries. The benefit of this kind of investment in advanced factors of production can spill over into the industry thus helping it to gain a strong competitive position internationally.

In such conditions, it is advisable that businesses should set up in places where they will benefit from a spill-over and as such it becomes cheaper for them to produce as result of factors of production situated close to their plants.

- **The firm's strategy, structure and rivalry**

These are conditions that govern how a company operates. Used in a context of a nation, it looks into issues that relate to how their businesses are created, organized, managed and the nature of domestic competition. According to Porter (in Hill 2003), different nations are characterised by different management policies, which play an important role in its competitiveness. It refers to how a country conducts business and assesses if it would qualify in a global environment.

The theory holds that there is a strong relationship between domestic rivalry and the creation of persistent competitive advantage in an industry. The more vigorous competition is in a domestic industry, the greater the desire to expand to outside markets as a means to improve efficiency and make them better competitors. In most cases, a place that is saturated with competition will always demand innovativeness and improved strategies on how to earn or maintain a large market share (Hill, 2000).

The formation of trade theories has also led to economic integration, which has resulted in the formation of regional groups that have promoted the free trade mechanism. It important to understand how the formation of these regional groups came to existence and how they have seen trade liberalisation into effect.

2.4 INTEGRATION AND INTERNATIONAL TRADE

All integration processes pass through stages that can be differentiated according to the degree of commitment assumed by their member countries. Globalisation, as part of the integration process, has been viewed as the remedy for world economic setbacks. It has been seen as the force that has led to the free flow of capital, labour, goods and information without any intervention and more so it has also been declared to be the mechanism that would bring forth world prosperity (EL-Agraa, 1999).

Globalisation as promoted by various regional organisations include; the European Union (EU), North American Free Trade Area (NAFTA), Asia-Pacific Co-operation (APEC), African Caribbean Pacific countries (ACP) and New Economic Partnership of African Development (NEPAD). In addition to these regional organisations are the world organisations namely: the World Trade Organisation (WTO), the World Bank and the International Monetary Fund (IMF) and most of the regional organisations are affiliates to the world groups.

In the boundaries of multilateral free trade nations have engaged in regional trade liberalisation (Internet 1). The trade process is one of the elementary sources of economic integration. It consists of different regional organisations known as the free trade area, customs union and common market. In a free trade area, member countries open their trade barriers to members and retain restriction to those countries that do not form part of the agreement. However, it should be noted, that in the process of these shifts countries manage their own trade policies. A customs union on the other hand allows for market consolidation and economic integration within its members. Member countries have a common external system of tariff, which allows for uniform rates to be levied on countries outside the union.

In the process of economic integration the world trade organisation was formed to look into issues that affect trade amongst nations who members of the organisation. It has been seen as the next step of the integration process from regional groupings to an open world trade system. Several trade agreements have been signed which guide trade policies of countries and the way in which trade should be conducted in these countries. In an attempt to introduce trade liberalisation to a greater extent, the Uruguay round of January 1995 was signed which was aimed at reviewing policy instruments required for trade liberalization

Opening up to international trade has helped many countries grow far more quickly than they would otherwise have done. International trade resulted in economic growth, which has mainly been export led and has been considered to be the centre piece of the industrial policy that enriched much of Asia and left millions of people there far better off (Stiglitz, 2002). International trade has resulted in the liberalisation of trade by many countries.

However, Proponents of trade liberalisation have portrayed it as a good strategy that is supposed to enhance countries' incomes by forcing resources to move from less productive uses to more productive uses known to economists as comparative advantage.

In an argument, some theorists have pointed out that an open trade system cannot stimulate growth especially in developing countries if the world still experiences high prices in essential commodities, persistent inflation and stagnant economic growths in other countries (Frank, 1980). An argument against the theory suggested that for developing countries to discover their potential competitiveness, they have to trade amongst themselves before committing themselves to competing with the bigger countries. However a problem is foreseen in the proposal when considering the multilateral trade agreements which bind allow for open trade across borders.

Many developing countries have been faced with structural adjustments for economic progress and were mainly based on their ability to increase exports through industrial expansion. Countries with labour intensive industrial sectors managed to adjust to rapid shifts in comparative advantage, especially in Asia. The major reason to this would be a result of low cost production combined with high outputs. However, it is noted that the competitiveness of these countries depends largely on their domestic economic policies.

There has to be a positive relationship between domestic policies and the international economic system. The important issue in this area is on how to maintain an open world trade system whilst some countries still experience a slow growth with high tariff barriers in industrialized countries. This concern mainly applies to developing countries especially the African economies.

An obvious trend in trade liberalisation is seen in the multilateral trade negotiations that have taken place since 1979 under the general agreement on tariff and trade (GATT). In these negotiations, countries agreed on a substantial reduction of tariff, an adjustment and improvement on international rules relating to non-tariff measures and lastly were the issue of adherence to these agreements by members. In 1994, the World Trade Organisation (WTO) was established which acts as the legislator for its members (Havrylyshyn, 1980).

2.5 Trade agreements

Economic links between East and Central African countries with European countries have maintained trade since the independence of their former colonies. The economies of these countries have been molded to meet the needs of their European counterpart for a hundred years or more and it would have been difficult for them to make the necessary changes in production patterns to trade successfully with other countries. The Europeans too needed to maintain supplies of raw materials and export markets in Africa and to protect the business of their trading companies (Havrylyshyn, 1980).

In 1975, the Lomé Convention was signed. The Convention established trade, aid and cultural relationships between European countries and the ACP (African, Caribbean and Pacific) countries (Internet 2). In the process of trade between the European and African states, it became obvious that overall levels of trade could be increased if trade barriers were reduced, where there was agreement to do so, and that international trade should be governed by mutually agreed rules. The most active trading nations have been keen to find new markets for their goods and to reduce the barriers to free trade. These countries, however, have been reluctant to expose their own markets to foreign competition, especially unfair competition from subsidised or sub-standard goods.

At the international level, trade liberalisation was stimulated by the General Agreement on Tariffs and Trade (GATT) which was first implemented in 1948 as a mechanism to promote free and fair trade among member countries. Several rounds of negotiations of trade rules have occurred throughout the history of GATT. The Uruguay Round, which began in 1986, was the eighth of the GATT rounds. In April 1994, officials from more than 100 countries gathered in Marrakech, Morocco to sign the Uruguay Agreement and to confer the role of further trade reforms on the newly established World Trade Organisation.

Many countries have now committed themselves to the objectives associated with their membership of the WTO. In order to meet these objectives, countries are obliged to further change their existing internal economic and external trade policies. Studies on the African economies have pointed out the impacts by trade liberalisation on the continent. This mainly refers to eastern and central region in the agricultural sector.

Some of the developing countries subscribe to the world trade organisation and their protocol of trade is guided by the rules and regulations of the organization (Madonsela, 2001). Since the General Agreement on Tariffs and Trade (GATT) was established in 1947, the world trade system had been governed by these set of rules, which were concerned mainly with trade in goods. The Uruguay Round agreement of 1995 expanded world trade to cover new areas. These included trade in agriculture, which is governed by the WTO agreement on Agriculture (AOA), intellectual property rights (TRIPS), Trade and Services (GATS), and Trade Investment Measures (TRIMS). The main aim behind the agreement is to converge developed and developing countries in the area of trade.

A discussion of the agreement is covered below relative to the agricultural sector:

2.5.1 Agreement on Agriculture (AOA)

The AOA came into effect on 1st January 1995 after the development of the Uruguay Round (Internet 2). Agriculture had been neglected in the past as a form of trade since a lot of countries focused on it as a means of attending to social welfare. This reform program, as mentioned earlier seeks to establish fair and market oriented agricultural system. In the AOA commitments extend over three areas; Market Access, Domestic support programs and Export subsidies.

- ***Market Access***

This is a commitment by WTO signatories to discourage import restraints. This aspect of the agreement seeks to eventually eliminate import barriers thus opening up national borders to provide a market for agricultural produce from other countries. In the WTO, non-tariff barriers to agriculture are replaced by tariffs. All tariffs on agricultural products are reduced by an average of 36% in DCs and 24% in LDCs. Tariff quotas are designed to ensure that trade barriers do not prevent the achievement of the agreed level of access for products previously subject to non-tariff barriers.

- ***Domestic Support Programs***

Domestic support programs such as government support to domestic producers is seen as a distortion in trading with agricultural commodities. The objective of this program therefore is to restructure/restrict domestic support of agricultural products to ensure that it does not interfere with foreign trade.

Domestic support measures aimed at providing food to the poor at subsidized prices are exempted from the reduction commitments. General government services aimed at investment promotion and disease control are also exempted.

- ***Export Subsidy***

The commitment on export subsidy relates in particular, to government support for export. For each year of implementation, total budgetary outlays and the total quantity of export covered by export subsidy are noted in the country schedule. If a country has never had subsidies in the agricultural sector it is not allowed to start providing export subsidy. There is, however, special and differential treatment for developing countries
This includes exemptions on subsidies aimed at reducing the cost of marketing and transportation of produce.

2.5.2 Trade Related Intellectual Property Rights (TRIPS)

Intellectual property rights (IPR) were brought into international trade in the final act of the Uruguay Round through the TRIPS agreement. Before the advent of TRIPS intellectual property conventions were the responsibility of the World Intellectual Property Organization (WIPO) and IPR was largely a subject of national legislation and policy. Under article 27 the TRIPS agreement allows the patenting of any "invention". This agreement allows the patenting of biological organisms, including parts of animals and plants, altered plants and animals, as well as genes and celllines. TRIPS therefore, allow companies to strengthen their monopoly over new agricultural and pharmaceutical products.

Under TRIPS, an inventor is granted a patent as the sole owner of a new product or technology for a period of 20 years. All WTO members have been tasked with the responsibility of ensuring that their intellectual property laws comply with TRIPS. This requires the protection of plant varieties either by patents or by an effective 'sui generis' system or by any combination thereof (WEDO, 1995).

2.5.3 The General Agreement on Trade and Services (GATS)

GATS agreement provides a framework for negotiations on liberalization of service sectors. Prior to GATS negotiations regarding services were the responsibility of national governments and were carried out directly with trading partners. In this kind of arrangement the services sector was basically considered a non-tradable sector.

GATS seeks to provide a set of rules on how countries should trade in activities whose output is not in tangible goods. GATS cover a wide spectrum of services including telecommunications, tourism, water, electricity, banking, health, education, transportation and professional services. GATS require every government to "treat services and service suppliers of other WTO members no less favorable than its own like services and service suppliers". In cases where governments seek exemption from the WTO most-favored nation (MFN) rule, they are allowed ten years but this is also subjected to a review after five years.

2.5.4 Trade Related Investment Measures (TRIMS)

TRIMS are concerned with the liberalization of foreign investment conditions. Under the national treatment rule WTO member states commit themselves to treat foreign enterprises under the same terms and conditions as their domestic enterprises (GATT, 1994, Article 111). Member countries also commit themselves to the reduction of all quantitative restrictions on imported goods, including tariffs and non-tariff barriers (GATT, 1994, Article IX).

The TRIMS agreement provides a few concessions to safeguard local industries such as the requirement of local content aimed at ensuring that local industries benefit from providing inputs into the production process of foreign companies.

2.6 The African Economies And The Impact Of Trade

Africa, as a continent has been characterised by a slow economic growth. One of the major reasons that have caused such a pace would be structural adjustment that have been experienced by some countries as a result of civil wars and economic recessions. Due to that, recently in Africa, countries have integrated towards economic and political unions. Such integration was viewed as the engine for economic growth and political stability(Frank,1980). Amongst some of the unions that have been formed by these countries is the National Economic Partnership for African development (NEPAD) and Southern African Development Community, which looks into the economic and political issues of African member states. In an attempt to increase the pace of economic development for

African states, the union also deals with how best Africa can trade and gain competitiveness in the global world.

According to Hansohm, (2003) regional integration offers the potential for to members to catch up with the rest of the world in terms of economic growth. The SADC region, for example comprises of highly unequal per capita incomes and growth rates ranging from US$170 to US$7050, which when converged are expected to experience a spill over. However, in the process of integration, statistics show that countries have reacted differently in performance of their economies and as a result there are many possibilities on the effects of trade liberalisation. Table 2.1 indicates an example of African economies in the SADC region and their patterns of growth between 1980 and 2001, measured by the GDP and population growth.

Table 2.1: Economic growth in SADC countries (1980 – 2001)

Countries	GDP per capita (US$) 2001	GDP per capita % growth 2000-2001	GDP annual percentage growth		Average population growth rate 1990-2001
			1980 - 1990	2000 - 2001	
Angola	500	0.3	3.4	2.0	3.1
Botswana	3630	4.8	10.3	5.2	2.1
DRC	-	-	1.6	-5.1	3.2
Lesotho	550	1.7	4.5	3.9	1.9
Malawi	170	0.7	2.5	3.7	1.9
Mauritius	3830	6.1	6.2	5.3	1.1
Mozambique	210	6.7	-0.1	7.5	2.2
Namibia	1960	2.6	6.5	4.1	2.4
Seychelles	7050	-	-	-	1.5
South Africa	2900	1.2	1.0	2.1	1.9
Swaziland	1300	-0.6	1.3	3.3	3.0
Tanzania	270	2.3	-	3.1	2.7
Zambia	320	3.2	1.0	0.8	2.5
Zimbabwe	480	-9.8	3.6	1.8	2.0
SADC	1655	2.8	3	2.7	2.3

Source: World Bank 2003.

Table 2.1 also indicates that on average the countries have a positive economic growth, however, comparatively this would indicate a marginal growth if compared with developing countries like the regions of East Asia. On the other hand, the average population growth rate indicates a decline resulting from the prevalence of the HIV pandemic, which has caused many countries to have a higher budget line on the health sector.

Such kind of a budget has resulted in an economic deficit for countries with high losses in human resources.

In the process of their integration, they have slowly adapted to global shifts and trade liberalisation. However, according to Hill, economists have raised concerns about the way trade creation is portrayed to the world as opposed to trade diversion. The economic performance of nations on traded goods can determine the whole scenario as to whether countries are positively or negatively affected in the process. On the other hand studies have suggested that trade liberalisation improves trade and thus have a positive effect on growth in both local and external businesses.

2.7 THE AGRICULTURAL SECTOR

Agriculture is the major factor in the economies of developing countries. At least 80% of African economies are directly or indirectly dependent on agriculture. In these developing countries, a greater majority of the population lives in the rural areas where agriculture serves as a greater part of their occupation and source of livelihood (Ngugi , 1992).

Being the engine of most African economies, the majority of the population of these countries are employed in the agricultural sector. Agricultural commodities represent by far the largest proportion of exported goods and the main raw materials for manufactured products (Madonsela, 2001). As a key to poverty reduction and food security, agricultural development may be seen as important. In a more elaborate way the following factors define the purpose of the agricultural sector (Ngugi ,1992):

- *Agriculture provides food*: nations are always concerned about food security because a well-fed nation is always a healthy one. According to the human development index, countries are also rated by their socio-economic status that includes their well-being and poverty ratings. In situations where there is an increase in food demand, it will always require an increase in agricultural production.
- *Agriculture provides employment*: in many developing countries, the agricultural sector serves as the biggest source of employment. It does not only accommodate skilled labour but also caters for the unskilled labour especially in the fields and less crucial areas of employment. Apart from the production of primary products, there are those agro-based industries that require a sizeable number of population especially in the sugar and food processing industries.
- *Agriculture provides foreign exchange:* a larger percentage of exported goods in developing countries consist of agricultural commodities. Countries like Kenya have their total export earning comprise of products such as sisal, coffee tea fruits and vegetables etc. A lot of these countries benefit from foreign currency since it bears a larger value of exchange when converted into local currency.

In the economic analysis if a nation has an appreciated currency it is recommended that it increase its exports to benefit from the foreign exchange. Such kind of receipts enables them to purchase capital goods and still remain with a substantial amount to continue with business. Currently South Africa is experiencing a situation whereby their currency has appreciated and as such export benefit less from foreign exchange at the moment. It can therefore be concluded that an improvement in the living standards of many nations can be closely tied to the progress in the agricultural sector.

- *Agriculture provides raw materials for industries*: some developing countries are poorly endowed in natural resources and therefore will use agricultural produce to as their raw materials. In that regard the processing will increase the value of the agricultural products to increase the wealth of their country. In that regard, agricultural products would contribute a higher percentage in that country's overall GDP.

2.7.1 *The impact of trade liberalisation*

International trade relations for developing countries tends to be characterised by a number of stylised facts that which he believes do not necessarily reflect the realities about these countries (Kirchbach, 2001). In addition to what he noted he pointed out that:

- " All developing countries have low Trade/GDP ratios";
- " Developing countries export primary commodities";
- " All developing countries suffer from marginalisation from global trade flows and is unavoidably increasing".

According to the United Nations report (2000), trade and development together with external factors like trade remain an important determinant of economic trends in developing countries. Statistics for the period 1997-2000 refers to the overall average figures on exports and imports for selected developing countries on their performance. Merchandise exports for the period 2000 reflect a $31.3 billion, which reflects an increase of 36% from $23 billion in 1997. However, there are some countries that have experienced a regression in the same period. Countries that have experienced a good performance were those that focus mainly on manufactured products and services.

Statistics reflected on the table 2.2 show that since 1990 the performance of the countries in the SADC region indicates either a decline or a marginalized figure in all three sectors. There are some exceptions of other countries that have responded positively to trade shifts, however they are only a few. The majority of these countries have the agricultural sector contributing a substantial percentage to the GDP and since 1990 the sector has bee declining but on average it shows a staggering figure of a slight increase and a sharp decline in the sector. Whilst some countries have indicated a minimal contribution by the agricultural sector, their industrial and services sector are more active but however improving at a very minimal pace. Their trading partners may attribute to increased foreign direct investment but to a certain extent and the generalised preference system such growth in the other sectors.

Table 2.2: Value added as percentage of GDP in SADC countries (1990-2000 and 2001)

Countries	Agriculture			Industry			Services		
	1990	2000	2001	1990	2000	2001	1990	2000	2001
Angola	18	6	8	41	70	67	41	24	25
Botswana	5	4	4	56	44	44	39	52	52
DRC	30	58	-	28	17	-	42	26	-
Lesotho	23	18	20	34	38	46	43	44	34
Malawi	45	40	16	29	19	16	26	41	47
Mauritius	-	6	5	-	32	32	-	62	62
Mozambique	37	33	22	18	25	26	44	41	52
Namibia	12	11	11	38	28	28	50	61	61
Seychelles	-	3	3	-	22	22	-	75	75
South Africa	5	3	3	40	31	31	55	66	66
Swaziland	-	17	17	-	44	44	-	39	39
Tanzania	48	45	45	16	15	16	36	40	39
Zambia	18	24	22	45	25	26	37	51	52
Zimbabwe	16	11	18	33	14	24	50	75	58
SADC	18.4	20	13.9	27	30.3	27.3	33.1	49.8	47.3

Source: World Bank (2003)

Advocates of globalisation argue that growth achieved through removing market barriers and integrating trade worldwide is benefiting all players, both rich and poor and that globalisation not only reduces poverty it also strengthens the cause of democracy. It is further argued that globalisation is an impartial decision maker, which provides Governments and more importantly, the people who vote in Governments, with the ability to make decisions for their economic growth. The globalisation process is believed to be a step forward towards the empowerment of people, and this concept is based on the premise that if people within a country want reforms for greater economic growth, the people must advocate and vote for policies that support greater market liberalisation and good governance.

2.8 The agricultural sector, Employment and the impacts of trade liberalisation

In the process of liberalising trade the employment sector has also been affected. Since independence was launched in Sub-Saharan Africa in the late fifties, agriculture has been every nation's plan to develop a modern economy and catch up with industrial countries by the year 2000. Moreover, because of the failure of premature industrialization programs to accelerate economic growth and employment, the continent's economic and political future remains critically dependent on mobilizing the energy of its 50 million small-scale family farms.

Today the agricultural sector accounts for 30 percent of GDP, 40 percent of exports, and 70 percent of employment in Africa. However, because of low agricultural productivity, the agricultural sector is not performing its essential roles in stimulating economic growth, earning foreign exchange, providing jobs and feeding a growing population. This explains why the global development challenge over the coming 25 years is to increase agricultural productivity in Africa and help each nation generate a reliable food surplus from domestic production and imports. Despite 15 years of structural adjustment programs, African agriculture is stalled in many countries.

FAO, IFPRI and World Bank experts agree that Africa's food imports will likely increase over the coming 20 to 25 years, with the introduction of the agro- industrial sector. Many countries are now shifting from primary production in the agricultural sector to food processing industries. Clearly, Africa faces a long-term food production challenge comparable to Asia's food crisis of the early sixties. (Carl, 1998). Many African countries have been faced with a food crisis in the process of attempting to produce for both commercial and subsistence purposes. Indeed it is a question many people in Africa ask where food security is addressed for developing countries and the liberalisation of the agricultural sector.

Trade liberalisation has been viewed as an area that has led to job losses; however, it is also believed that the development of new technologies would offset such gaps by the created job opportunities in higher value added sectors. Many developing countries have experienced a transition from the basic agricultural practices to industrialisation and services in the same sector. Their involvement in primary production had catered for a large percentage of labour and thus minimized the rate of unemployment. In the event of these changes, organisations have developed strategies that would enable their competitiveness in world markets that includes labour savings, new technologies etc.

A lot has been learned in developing countries where agriculture is concerned and the role it plays in the development process. It is important that policy makers in the continent study the global trends in the sector and have the basis on what it takes to mobilize agriculture as the major contributor in reducing the rate of unemployment in the African and developing states in other countries. The potential for growth needs to be explored if it exists in order for economic growth. Trade liberalisation has impacted differently on many developing countries. The case for Zimbabwe has been used to determine the impacts, however, it does not draw strong conclusions on all developing countries. (The case study has been taken from a publication by Chisvo M. of July 2000);

Trade liberalisation and household food security: a study from Zimbabwe case1

M. Chisvo, CIIR, July 2000

Economic liberalisation (in Zimbabwe) has been carried out in the form of an Economic Structural Adjustment Programme (ESAP), influenced by the IMF and World Bank, and the AoA. The evidence gathered in the form of literature reviews and focus group discussions (in two districts, Chivi and Mutasa) suggests that negative impacts of liberalisation outweigh positive ones. Linking the impact of liberalisation to food security is a complex task as there is considerable overlap between trade policy and other issues both domestic and international.

The ESAP, launched in 1990, aimed to liberalise trade and the domestic market for goods, services and finance, and to promote investment. Liberalisation of the agricultural sector provided farmers with a greater choice of buyers and traders for their produce. Liberalisation of the public transport system improved the mobility of farmers. Overall, local market access for farmers increased, and consumers have benefited in that liberalisation increased consumer choice.

The negative effects of liberalisation on farmers have been that the removal of subsidies increased production costs in real terms as inflation rose (inflation was 60 per cent in May 2000 and had been at or around 50 per cent for the previous 12 months). Farmers access to credit became limited owing to the privatisation of the Agricultural Finance Corporation

(AFC). Closure of Grain Marketing Board (GMB) depots in remote areas affected market access and information, creating a void which private traders have not adequately filled. Retrenchment of government civil servants reduced farmers access to extension advice. A rapidly deteriorating economic climate partly a result of a patchy and ambivalent liberalisation process created further difficulties.

A number of factors further exacerbated the hardships faced by the poor: drought in the late 1980s and early 1990s; the HIV/AIDS pandemic, which by 1999 was killing about 1,500 Zimbabweans a week; a rising population growth rate; the beleaguered land reform programme; a drop in remittances to the rural areas from urban relatives owing to retrenchment of the civil service; and the deteriorating economic climate.

To date ESAP has had a greater impact than the AoA measures, as policies associated with ESAP went beyond the AoA green box measures (that is, items that were deemed non-trade-distorting and need not have been liberalised). Under ESAP, all agricultural parastatals were privatised (including lending institutions), domestic markets were liberalised, domestic prices freed from control as subsidies were removed, and the extension service downsized.

Since 1997, after significant falls in the value of the Zimbabwe dollar, there has been a return to protectionist policies characterised by a reintroduction of price controls on some basic food items, tariff protection and exchange controls. The reintroduction of price controls on maize in particular further undermined producers' income earnings.

Zimbabwe's commitments under the AoA include the removal of import and export subsidies, the removal of subsidies to be replaced by direct income transfers, and reduction of tariffs. In practise however, very little has been implemented under the AoA.

Trade liberalisation under ESAP covered tariff reform, a supportive exchange rate policy, and improved export provisions. It also included expanding the Open General Import Licence (OGIL), which allowed the import of certain goods without a licence. By 1995, OGIL covered 25 per cent of goods, followed by the publishing of a tariff handbook covering all agricultural commodities and based on the international tariffication system, thus showing

a commitment towards the international trading system. At the time of writing domestic trade in all agricultural products except maize has been liberalised. Trade in maize is partially controlled by the GMB.

Until the mid 1980s Zimbabwe exported maize and did not import it. The highest recorded export was in 1984 at more than 2 million tonnes. Imports of the crop began in earnest in the early 1990s during the drought period and have continued to gain momentum since trade liberalisation. In 1999 maize imports were at 390,719 tonnes compared to exports of 299,295, making the country a net importer. The value of food imports generally rose from ZimD848.7 million in value in 1995, to ZimD1.53 billion in 1997. Domestic producers have therefore faced increasing competition and there have been few effective policy interventions to adapt to the changes.

2.9 Trade Liberalisation A Strategy For Wealth Promotion Model

The above model has been developed based on the theory of comparative advantage. In the analysis to follow, the theory of comparative advantage will be used with the theory of wealth promotion. In the discussion outlined in chapter two, it ca be noted that trade liberalisation is mainly based on export promotion however it is also important to consider the economic situation of any particular country before applying the growth strategy as described by trade liberalisation.

2.10 Summary

In recent years governments have become convinced that, by liberalising their economies, agriculture would prosper and provide the necessary growth to provide investment to improve the country's infrastructure, to form the foundation for industrialisation and to improve public services. In the 1980s some African countries began to reform their economic policies. Internal conflict, however, has delayed reform in many ECA countries and they have only recently begun to liberalise their internal economies. Over the last twenty years there has also been an accelerating trend to liberalise trade on a global scale.

Trade does not happen between governments but it also involves private corporations that operate under government regulations (Greenberg, 2002). In that regard it should be pointed out that whatever trade policies governments come up with for the agricultural sector will be issues of concern to these parties and they will also consider the fact that a nation's sustainability is also accounted for in the production of food.

The success of these global reforms and internal liberalisation measures (for those countries that have adopted them) has been patchy. Most African countries have found it difficult to compete with more efficient foreign agricultural producers and are suffering high increases in imported products, which compete with domestic production (Stiglitz, 2002). At the same time, the expected improvement in exports of these products has not materialised. This may be due, in part, to the difficulties of complying with the high quality standards required by many importing countries. The international market prices of almost all agricultural commodities have fallen to their lowest levels (in real terms) in living memory. This is due to over-production encouraged by the export-orientated economic policies of competing producing countries. The cut in agricultural subsidies in the developed world has reduced surplus stocks of food, which has had the effect of reducing supplies available for food aid.

To conclude this chapter, it can be pointed out that learning from the case of Zimbabwe, nations will respond differently to trade liberalisation given the nature of their economies. In the light of the above discussion, the section has covered several aspects of trade and liberalisation of trade. In introducing the section the chapter discussed the different theories of trade, which have played a significant role in the liberalisation of trade. A brief discussion on trade policies was pointed out relating to the Uruguay round of agreement, which is deemed to have more effects in the agricultural sector.

Having discussed the above theories of trade, in addition to these facts one could conclude by developing a theory which points out that trade liberalisation does not only focus on growth but mainly focuses on the creation of wealth – "trade liberalisation a wealth promoting strategy". In the analysis of the gap model, one will look at how wealth is created through this strategy. The next chapter of the study will focus on the profile of Swaziland, an overall glance at the economic position of the country and the agricultural sector.

Chapter 3

THE NATIONAL ECONOMY OF THE KINGDOM OF SWAZILAND

3.1 Introduction

Chapter 3 looks at the national economic analysis for the Kingdom of Swaziland. The economic theory will look into the issues of policy and resource allocation especially in the agricultural sector. The report further looks at the action of government in labor market, money market, and the goods and services market. The nature of the agricultural sector for Swaziland is also discussed with the summary of its performance over the past five years.

3.2 Strategy for Macroeconomic Analysis

Government uses three kinds of policy to influence the macro-economy. These are:

- The fiscal policy;
- The monetary policy; and
- The growth or supply-side policies.

The Ministry of Finance controls the fiscal policy. This policy is responsible for tax and expenditure decisions by government. Government collects taxes from households and firms and spends these funds on such things as social security payments. Keynes notes that fiscal policy could and should be used to stabilize the level of output and employment (Case & Fair, 2003).

Monetary policy is used by the Central Bank of Swaziland (CBS) to control the money supply. It is the duty of the government to determine the quantity of money in the economy. The quantity of money supplied affects the overall price level, interest rates, unemployment rate, and the level of output.

Lastly is the growth policy, which is controlled by the Ministry of Enterprise and Employment. Growth policy or supply-side policy focuses on stimulating aggregate supply instead of aggregate demand. Many growth policies are targeted at specific markets and are largely discussed in macroeconomics. The growth policy will also involve national competitive strategies in the world markets.

3.3 Economic Background

Swaziland (SD) is a landlocked country surrounded by South Africa and Mozambique. She is the smallest country in the Southern African region covering an area of 17,364 km^2. Swaziland is very rich in culture and has a population of slightly less than a million. It was estimated that by the year 2010 the population of Swaziland would have reached 1.32 million but is now projected at 980 000 due to the impact of HIV/AIDS. Life expectancy has fallen drastically thus having a major impact on output growth. An estimated two thirds of the population lives below the poverty line, with poverty being worse in female-headed households (internet 3).

Unlike many countries in Africa, Swaziland is characterised by an ethnic and cultural homogeneity. However, it is amongst those countries whose populations are growing at a very fast pace. The 1997 census indicated a rate of increase in population of 3.2%, which had a significant impact on the rate of unemployment since the job market grew at a lower rate. Swaziland is an agriculturally based economy, heavily dependent on the agro-industrial production of sugar, which is leading in exports and followed by wood pulp. With regard to the rate of employment creation, during the period 1984- 1988, there was an improvement in the formal sector. The Swazi economy tends to fluctuate between decline and stagnation although it shows potential signs of prosperity. This growth pattern could be largely attributed to several factors, such as declining market for some of the agricultural and mineral products, high population growth rate and droughts (Economic Planning and Development, 1999).

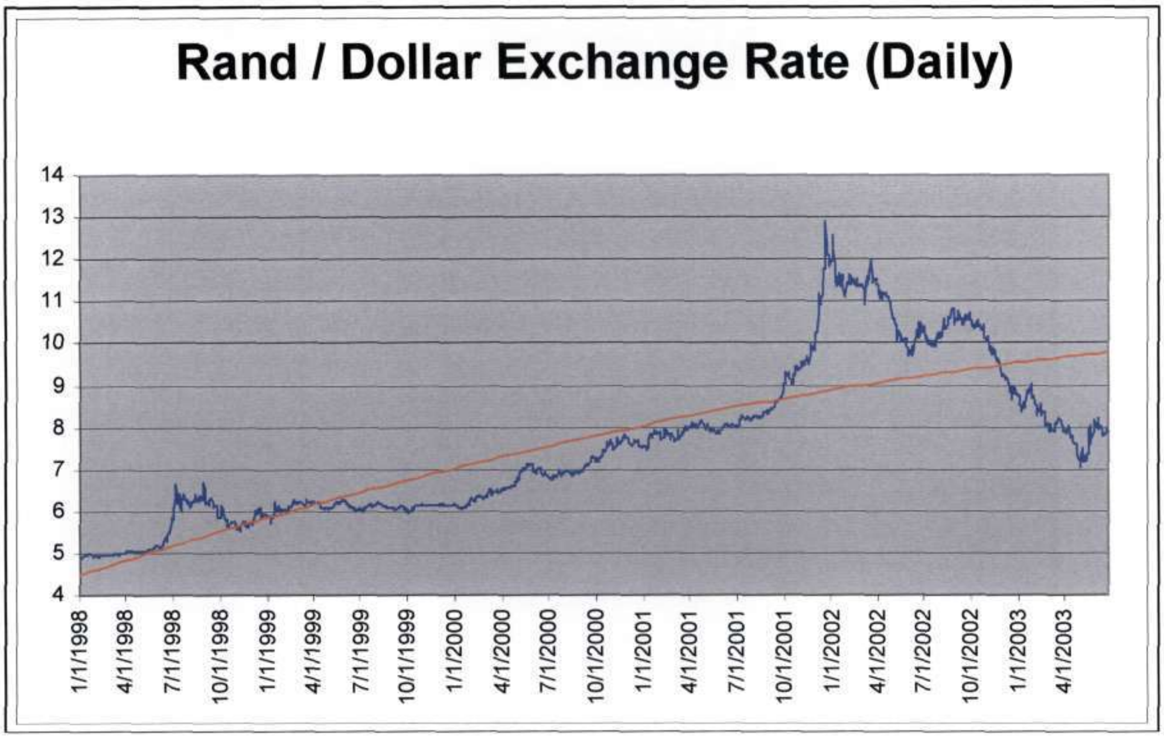
The main issues facing the country are poverty, HIV/AIDS, unemployment, and food security, 65% of the mostly rural population lives below the poverty line. By 2010 the population is projected to be 40% smaller than it would have been without the HIV/AIDS pandemic. Unemployment has emerged as a serious threat to the Swazi economy with an estimated rate of 43 %. As a result, a large surplus of the labour market has low wages and poor working conditions (Central Bank, 2003).

The economy of Swaziland recorded a decline in real GDP during the year 2002. The pace of economic growth has fallen significantly when compared to rates achieved in the 1980's. The slow down started in the mid 1990's with occasional fluctuations in other years resulting from global economic slowdown. There are several other factors that have contributed to the downward slope of the GDP rate, amongst which include the depreciation of the Lilangeni; fluctuations in international commodity prices; unfavorable weather conditions; depressed world demand for its primary commodities; and closure of some major companies worsened the economic position of Swaziland. This has had a consequent negative impact on public finances through reduced corporate and personal tax revenue.

The economy of Swaziland depends largely on the export based agricultural commodities and the industrial sector. During the period 2002, the country experienced adverse climatic conditions, which affected the agricultural output levels especially on the Swazi nation land, which depends on climatic conditions for production. On the industrial sector, the country experienced an influx of investors in the textile industry. The increase resulted from Swaziland being a beneficiary in the African growth and opportunity act (AGOA), which significantly extended its market access to some countries in Sub-Saharan Africa. However, due to unfavorable trading conditions in the world markets, some of the foreign companies were forced to close down and thus resulting in a set back to the country's economic growth.

Throughout 2002, due to the depreciation of the exchange rate, Swaziland experienced high domestic inflation levels as compared to neighbouring South Africa (internet 4). However, the inflation rate is forecasted to slowdown due to the appreciation of the Rand and falling oil prices. Inflationary pressure at the end of 2001 caused by the depreciation of the Rand/Lilangeni exchange rate, forced the CBS to tighten monetary policy to reduce aggregate demand. Economists have predicted a continuous fall in the price of oil, whose price also serves as one of the determinants of the exchange rate. The graph below illustrates the exchange rate fluctuations for the last 4 years.

Figure 3.1: Exchange Rate Fluctuations (1998 to 2003)



Source: SA Standard Bank Website

3.3.1 Domestic Developments

Unemployment is still rife in Swaziland estimated at about 20% of the working age. Estimates in the formal sector indicated that the employment trend is more or less similar to economic growth patterns. The labour market tends to be characterised by a higher demand of labour than supply. This results from the increased annual enrolment in the education sector and the retrenchments that occur in the private sector as a means to increase efficiency in exporting companies.

Table 3.1: Estimate employment

Period	1998	1999	2000	2001	2002
Private sector	59983	61003	61613	60381	66267
Public sector	31891	32210	32693	33216	29091
Total formal employment	**91874**	**93213**	**94306**	**93597**	**95358**
Informal sector +	26370	32692	41203	52328	53561
Grand total	**118244**	**126175**	**135509**	**145925**	**148919**
Growth rate (%) #	**-4.0**	**1.5**	**1.2**	**-0.8**	**1.9**

Source: Central Bank Swaziland pg 68

Table 3.1 indicates that the private sector still remains the leading employer in the country consisting of jobs estimated at 66267. Such an increased has resulted from increased foreign direct investment in the textile industry, which increased the manufacturing employment to 19370. To boost employment, the country embarked on a strategy plan where labour reforms have been introduced with the promotion of small business developments and are indicated by an increase of 2.4% in 2002.

Creating jobs for more than 20% of Swaziland's unemployed people of the working age remains the most critical economic challenge facing the country today. However, in Swaziland, like in other developing countries, unemployment is just part of the problem of labour under-utilization. Under-employment, which can be regarded as "invisible" or "disguised" unemployment, and which is quite difficult to measure, is probably a more serious problem than that of unemployment.

The "working poor" constitute part of the under-employed. Such people work very hard, putting in long hours per day, but do not generate enough income for a decent living. Attention should also be focused on such people who are usually engaged in the informal sector.

Other main issues facing the country are poverty, HIV/AIDS, and food security. 65% of the mostly rural population lives below the poverty line. By 2010 the population is projected to be 40% smaller than it would have been without the HIV/AIDS pandemic.

3.3.2 HIV/AIDS Pandemic

HIV/AIDS presents one of the most difficult challenges Swaziland has had to face in its history. The Southern African sub-region is regarded as the "epi-center of the pandemic" worldwide. In Swaziland, as in many other countries in the sub-region, the pandemic has had serious negative effects on human development indices such as life expectancy, knowledge or education, income, employment and economic growth. In spite of the concerted efforts made in SD to contain the pandemic, the situation has continued to worsen and infections are now estimated at 40% of the entire population.

The African Development Bank [ADB] has observed that some countries, notably Senegal and Uganda, have demonstrated that it is possible to control the spread of the pandemic through effective prevention and AIDS awareness programs, provided that this is driven by political commitment at the highest level. With the very high political commitment in SD to combat the pandemic, it is expected that the country could benefit like Senegal and Uganda. Part of the government strategy to deal with the pandemic has been to establish the National Emergency

Response Council on HIV/AIDS (NERCHA) to co-ordinate HIV/AIDS programmes.

3.3.3 Poverty Alleviation

Like in many developing countries, poverty has been regarded as a chronic disease and it is estimated at 60% in Swaziland. Specific programs to alleviate poverty in SD have been listed as one of the major issues to be addressed in the budget. These include the Community Poverty Fund, the Millennium Projects, the Poverty Monitoring Unit; the Micro projects Programme, and the project on the Social Protection of Vulnerable Children, including orphans, and identifying pro-poor projects. Also, due to their interrelatedness, the fight against the HIV/AIDS pandemic, job creation and ensuring food security are all strategic means of alleviating poverty. Thus, concerted efforts should be made to effectively implement these programs, which can contribute to the reduction of poverty in the country.

3.3.4 Food Security

It is worth noting that maize is a staple food for the Swazi nation. The budget noted that maize production did not meet the total requirement for the past year due primarily to the problem of drought. It therefore emphasized the need for the Ministry of Agriculture and Cooperative to put more effort into the production of maize and other food crops. More encouragement/assistance needs to be given to small-scale farmers to cultivate food crops (rather than divert from such crops) to serve as a panacea to the food crisis (Madonsela W, 2001).

3.4 The Macroeconomic Context

The macro-economic sector looks into the fiscal, monetary and the growth policies of Swaziland. According to Case & Fair, (2003) the role of government in influencing an economy can be marked and achieved by the application of these three policies.

3.4.1 Fiscal Policy

Case and Fair, (2003) points out that one of the main ideas presented by Keynes in the 1930s was that government could and should use fiscal policy to stabilize the level of output and employment in the economy.

Swaziland has an open economy characterised by a high ratio of exports and imports to the Gross Domestic Product (GDP). These parameters were respectively estimated at about 81% and 87% respectively in the 2001 financial year. As a result of this openness, the local economy tends to be heavily influenced by developments both in the regional and international trade arena. Trade liberalisation process tends to influence the role of governments in controlling the levels of output and employment in an economy. Swaziland is amongst the countries that anticipate serious losses from trade liberalisation's their products will experience stiff competition from cheap imports. It is essential that government restructure its fiscal system in pursuit of prudent fiscal and economic reforms that promote growth of the economy. The major aims of the fiscal restructuring project commenced in June 2002, is to focus on the diversification of the tax base in order to reduce Swaziland's heavy reliance on SACU receipts, which are projected to diminish substantially in the medium to long term.

Over the years the fiscal position of government in Swaziland has been worsening, mainly due to failure to raise adequate public funds coupled with a lack of proper control of recurrent expenditure (Budget Speech, 2003). The current budget has, as a result, made provision for policy restructuring that aims to increase government revenues through a vigorous collection of taxes; and in some instances, reviewing and strengthening the tax legislation.

The Government has identified a number of measures that should be taken in order to increase the revenue base for public funds. These measures include the following:

- The deployment of additional manpower at the country's main borders to assist in the collection of sales tax and customs duties.
- Stepping up efforts by the Department of Taxes to collect income tax and further reduce incidents of tax evasion, particularly by the private sector.
- Stepping up efforts to collect money owed to Government by several institutions and individuals.
- Introduction of legislation for the taxation of benefits in kind.
- Review of legislation with regards to the taxation of commercial activity on Swazi Nation Land; which was previously not taxed.

The government is also making efforts to bring about a reduction in expenditures that are considered as being not so important in the betterment of welfare of the local population. This has seen the stepping up of efforts to control government wage and salaries bill, which has always taken a major share of government revenue. There is also the thinking of cutting down on the number of government ministries in an effort to downsize the public service. External travel by government personnel and the expenditure on telecommunications and consumables has also been curtailed.

Another means for controlling recurrent expenditure, would be an improved wage structure within the civil service must be put in place as well as carefully streamlining the number of civil service employees. Restraining growth in government expenditure, together with other measures such as a deepening of structural reforms, especially in the parastatal sector to revitalise investment, could alleviate the fiscal burden and help foster a more conducive macro – economic environment for sustained economic growth and development in the long-term (Central Bank of Swaziland Annual Report, 2002-2003).

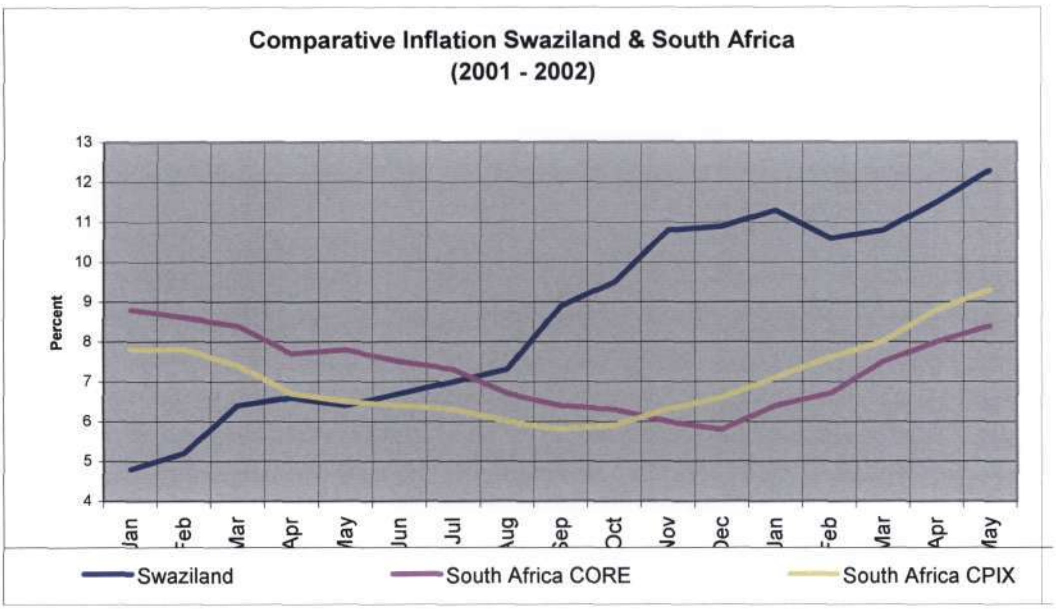
Subsidies and transfers to parastatals also make a significant contribution to the worsening position of the government recurrent expenditure. To address this situation, most parastatals have been urged to undertake a restructuring exercise, with a view to identify those activities and services that can be contracted out. Government is also looking at the idea of introducing performance contracts, especially with those parastatal institutions that cannot achieve self-sustainability. These contracts would help in the sense that they would clearly define what government's role and obligation is towards these institutions.

3.4.2 Monetary Policy

Swaziland is a member of the CMA and this entails the pegging of the local currency Lilangeni to the South African Rand. This has served the economy well because it calls for tight monetary discipline on the part of government and because the local economy is in effect heavily integrated with the South African economy.

Swaziland is part of the SADC region, which is presently experiencing a heavy drought. The effect of this drought on food prices, coupled with the price raising effect of the depreciation of the exchange rate in the past year, has resulted in a high domestic inflation level of between 10 % and 12 %. This high inflation has impacted negatively on the people especially the poor. However, the inflation is expected to fall in the coming months due to a falling inflation rate level in South Africa. With about two-thirds of the domestic inflation being imported from South Africa, Swaziland is expected to benefit from the predicted fall in South Africa's inflation. The graph below shows the inflation trend for 2001-2002 (Ministry of Finance, 2003).

Figure 3.2: Comparative Inflation Swaziland and South Africa

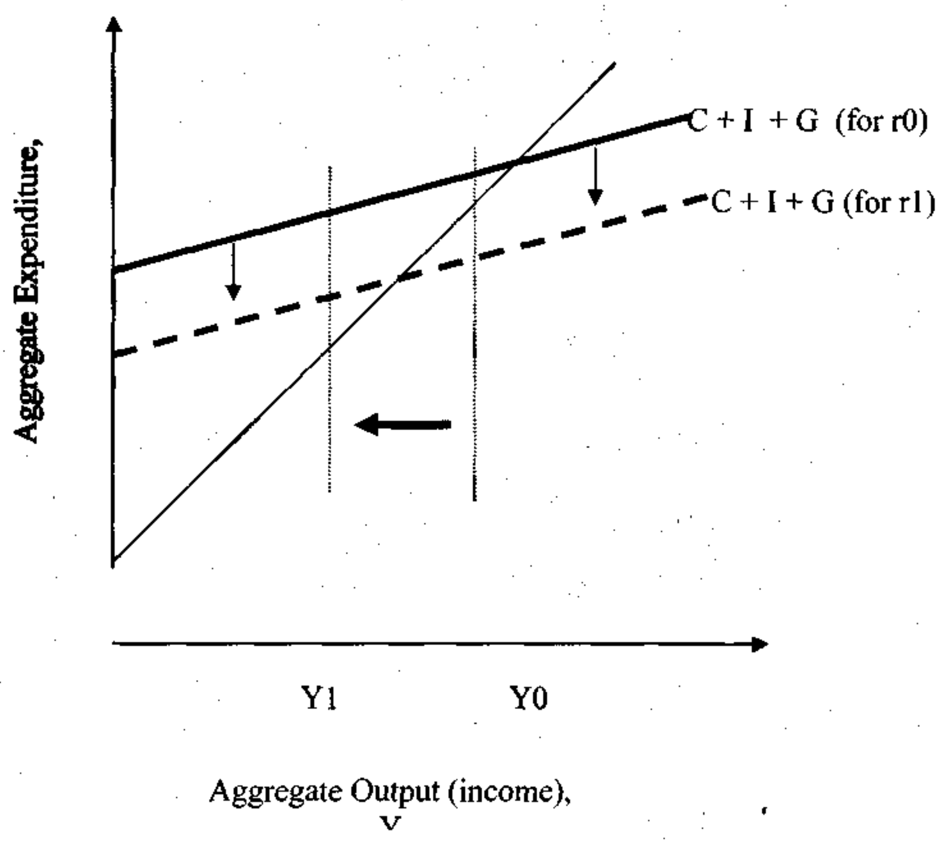


Source: Central Statistics Office

With the inflation rate rising to over 10 %, government has had to come in with prudent monetary policy to try and reduce the negative impact this would have had on the population. The depreciation of the Rand (Lilangeni) in the last twelve months has manifested itself through an inflationary pressure on the economy. In trying to counteract this inflationary pressure the Central Bank discount rate has had to be revised upwards several times until it reached 13.5 %. The commercial banks responded positively by increasing the prime-lending rate to 16.5%. This made borrowing expensive for the customers, and hence the inflation was contained. This sort of scenario is shown in figure 6 below:

Following an upward revision of the Central Bank discount rate would result in the scenario:

Figure 3.3 : *the effect of an increase in interest rate*



An increase in interest rate by the Central Bank from r0 to r1 lowers planned aggregate expenditure and thus reduces equilibrium income y0 to y1.

The Central Bank has also had to reduce the statutory reserve requirement for commercial banks from 4 % to 3 % in an effort to release more resources for these banks to engage in their intermediation activities. The banks were able to lend out more as result of the reduced reserve requirement. Case and Fair (2003), refers to this type of policy as an expansionary monetary policy because it tends to increase economic activity by allowing banks to give out more loans to households and firms.

3.4.3 Growth policy

The growth policy for Swaziland mainly looks at issues that cover employment, trade and investment. These are the main pillars for growth. Statistics indicate that unemployment in Swaziland has been in excess of 20 percent and rising as job-creation fails to keep pace with high population and labor force growth. For the age group 15-24 years, the problem is acutely worse, with national unemployment levels above 40 percent. And it is estimated that over 40 percent of the core poor are unemployed.

Migrant labor opportunities have declined: As unemployment in South Africa rises, migrant workers from neighbouring countries such as Swaziland find it increasingly difficult to find employment and are returning to their home countries. The UNAID (in World bank, 1999) report states that in 1990 there were over 16,500 Swazi migrant workers employed in South African mines compared to about 13,000 in 1997. Labor income from Swazi mine workers fell from being equivalent to 13 percent of GDP in 1990 to only about 6 percent of GDP by 1995-1997.

Furthermore, the slowdown in foreign direct investment (FDI) has also led to stagnation in employment in the urban economy and the title deed land (TDL) sector. The duration of urban unemployment episodes is likely to have increased, as have pressures on the urban informal sector to absorb new entrants and lay-offs from the formal sector.

Brain – Drain In Labour Market

There has been a shift in the labour market for Swaziland. In the previous years Swaziland experienced the migration of unskilled labour to work in the mines, which has slowly been decreasing and increasing the migration of skilled labour and thus has led to a brain drain for the country.

The migration of highly qualified professionals from developing countries is an extremely complex problem, which presents the international community with a major dilemma. This problem is linked to various factors such as:

- Fundamental human rights – that is, the right of individuals to move from one country to another, although the exercise of that right is governed by the immigration policies of individual countries.
- Inadequate provision of incentives for qualified nationals to remain at home.
- The liberalisation of the international labour market under the World Trade Organisation, which is arguably not in Africa's interest.

The reasons for Swaziland's brain drain problem are both structural and economic. The country's high schools system is ill equipped to produce the right skills needed for the country's developmental needs. The key to economic growth and development is largely linked to the scientific and technological expertise available in the country. The shortage of both science equipment and teachers in some schools, instructs the vast majority of pupils in arts rather than in science and technology thus overlooking capabilities of students that would qualify in such fields. In that regard, there is overproduction of graduates in areas where there are few employment opportunities. This results in high levels of migration, even among the few trained scientists because of the absence of an environment conducive to full professional expression and satisfaction (Oyowe A, 1996).

The brain drain has had major implications for national development. The major cost to the country is in lost production and the export of human capital in the form of education, training and experience. The emigration of graduates is likely to lower the GDP of the country, and secondly, to increase the price/wage for skilled and professional labour due to the decrease in supply resulting from the emigration. However, lack of data makes it impossible for one to ascertain numerically the extent of the emigration and its cost implications in the economy.

3.5 Revenue Context

Swaziland remains an integral member of regional and global economic groupings, which are:

- **The Southern African Customs Union (SACU)**

A joint agreement between Swaziland, South Africa, Botswana, Namibia and Lesotho. Under this agreement there is free flow of commodities amongst member states and a common tariff applies when trading with third parties. The main advantages of this arrangement are increased trade amongst member states and a wider market for all countries concerned.

Currently, the country's main source of revenue is its share from the South African Customs Union (SACU) pool, which for the current period accounted for about 51.6% of total revenue in the last two years. This figure represents a 15% increase over previous years, which we believe is in line with inflation and the increase in imports. The signing of the renegotiated SACU agreement of 1969 was done in 2002, the revised agreement strengthens and democratises the union.

- **The Common Monetary Area (CMA)**

Through this agreement, Swaziland, together with South Africa, Namibia and Lesotho, allows for free movement of capital within member countries. One of the advantages of this arrangement is the absence of exchange costs as well as transaction cost that allows some certainty in business deals.

- **The Southern African Development Community (SADC)**

This agreement seeks to achieve development and economic growth, alleviate poverty, and enhance the standard and quality of life of its members through regional integration.

- **Common Market for Eastern and Southern Africa (COMESA)**

This agreement focuses on the formation of a large economic and trading unit that is capable of overcoming trade barriers faced by individual states.

- **Africa Caribbean Pacific – European Union (ACP-EU)**

This is an agreement, which governs trade between the European Union and ACP States. Prior to the signing of the Cotonou Agreement in 1998, under this agreement the EU was engaged in reciprocal trade with the ACP states. Swaziland receives preferential treatment as a member of Generalized System of Preference (GSP) and is eligible to the African Growth and Opportunity Act (AGOA) from the United States of America (USA). AGOA aims at empowering African economies to gain access to the USA market as long as they meet certain economic and political conditions. All these are useful markets for the products in Swaziland and serve to augment the small Swazi market. The EU seeks to continue to guarantee the country's prices for sugar as well as grant preferential treatment to Swaziland as a member of GSP.

Regional and international developments necessitate the need for bold and proactive initiatives in order to meet the many challenges that lie ahead for the country. The most urgent challenge currently facing the country is that of broadening its revenue base, which should be supported by amongst other things, efficiency in the administration and collection of existing revenues sources.

The Swazi economy performed strongly during the 1980s, but over the past seven years, average real GDP growth has hovered close to the population growth rate estimated at 2.7 percent. In other words, real per capita incomes have remained virtually stagnant in the recent years, underlining the need for deliberate Government action to promote fiscal allocations, which are pro-poor.

Currently, the country's main source of revenue is its share from the South African Customs Union (SACU) pool, which for the current period accounted for about 51.6% of total revenue in the last two years. This figure represents a 15% increase over previous years, which we believe is in line with inflation and the increase in imports. The signing of the renegotiated SACU agreement of 1969 was done in 2002, which strengthens and democratises the union.

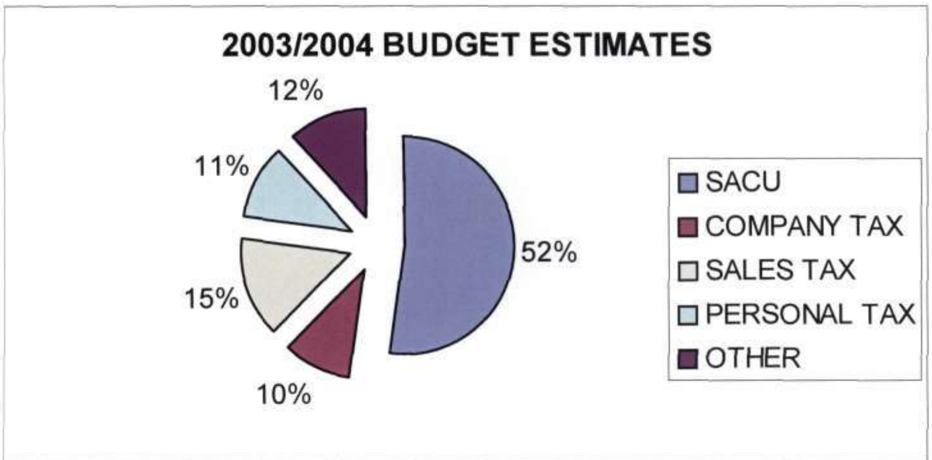
Income tax is the second largest contributor to total revenue at 21.8%, of which 51.8% is personal income tax, company tax accounts for approximately 46%. Taxes on dividends and interest income account for approximately 2% of total income tax. The trends depicted in these figures, means that the country has to reduce taxes to remain attractive to investment, while our other sources of revenue continue not to perform to our satisfaction (Madonsela, W 2001).

Sales tax revenue contributes about 15% and is expected to increase during the budget year. The increase in revenue from the sales tax is due to the rise in imports from RSA since 2002/03. This was facilitated by the enhanced regional integration of the economy of Swaziland with that of the Republic of South Africa (RSA).

Swaziland is currently conducting a review of taxation systems to make them simpler and more efficient to administer, possibly promoting compliance and ensure all avenues for avoidance and evasion are closed off. Other measures under consideration are the review of legislation with regards to taxation of commercial activity on Swazi nation land (SNL), imposition of withholding tax on dividends received by resident shareholders and the introduction of branch profit taxes. Government realizes the need to concentrate on controlling expenditure, because it is pointless to efficiently collect revenue only to spend it carelessly. At the macro level government seeks to concentrate more resources on the social sectors, and at the micro level, seeks to ensure that ministries are spending money where it should be spent. For instance, every ministry will be expected to do a cost-benefit analysis for every trip proposed and justify travel requested, and the delegation size be kept at minimal. To control expenditure government also aims at reducing its involvement in parastatal organisations.

Grant funding, together with exports of goods and services, loans and user fees amount to 11.6% of government revenue. The major components of government revenue as discussed above are depicted in the following pie chart:

Figure 3.4: Major Components of Government Revenue



Source: Central Bank Swaziland

The macro-economic situation reflects that, in overall, the economy has continued to be characterized by a slowdown in foreign direct investment (FDI) inflows. Swaziland has been facing stiff competition for investment following improved political stability in the region since mid 1990's. This has not only impacted negatively on the country's balance of payments, but has also greatly affected government's revenue through reduced tax base as some investors prefer to set up business in other countries in the region rather than Swaziland. This is contrary to the 1980s when Swaziland experienced an influx of FDI, recorded rapid growth, healthy balance of payments and fiscal surpluses. However, towards the period between 2002/2003 foreign direct investment showed signs of growth, which have resulted in a slight improvement in industry.

3.6 The agricultural sector

The agricultural sector forms the main source for Swaziland's economic activity following the manufacturing sector. A lot of the manufacturing industries in the country have used agricultural products to add value to their products, especially in the food processing industries. Statistics indicate that 70% of the working population is employed by the agricultural sector. Of the agricultural sector's contribution to GDP, production on Title Deed Land (TDL) consisting mainly of sugar cane, pineapple and citrus, accounts for 60 percent. This sub-sector is market-oriented and their production uses better quality technology which also has an improved access to irrigation schemes. Without an increase in land and water resources, the capacity for growth in TDL is limited (Central Bank, 2003). Growth in this modern sub-sector has remained stagnant in recent years while the SNL sector experienced low or negative growth.

Swaziland is divided into four agro-ecological zones namely the Highveld, Middleveld, Lowveld and the Lubombo with a rainy season that runs from September to March. The Highveld is situated in the west of the country and it is mountainous with rainfall measured from 1000mm to 1200mm. 10% of the land is suitable for farming with a significant proportion planted to forest. The Middleveld is situated in middle of the country and suburbs mainly surround it with rain ranging from 800mm to 900mm. Agricultural production is on small pieces of land on SNL. They use the natural method of farming which depends on the natural methods for growth (rain fed) since it far from riverbanks and it has a potential of urbanisation.

The Lowveld is a dry place with high temperatures and seldom rains estimated at 700mm. It has highly productive soils that are used for sugar production with the aid of irrigation schemes. This zone comprises of high technology farming on title deed land and it is the largest employer in the country. The Lubombo zone is situated in the eastern and northeastern parts of Swaziland. It is characterised by fertile soils with an overlap of the hot weather in the Lowveld.

According to the annual surveys of agricultural production 2001, a significant percentage of the population living in the four zones are engaged in small scale farming this region with high migrations into the urban areas in the formal sector. These figures are signified by 29% in the Highveld, 40% in the Middleveld, 25% in the lowveld and 6% in the Lubombo Plateaus (FAO/WFP, 2001).

Production on Swaziland National Land (SNL), accounts for the balance of 40 percent and comprises mostly subsistence farming. On SNL, maize is a staple food and it is grown for subsistence and for supplementary income, along with cotton and tobacco. Products grown on SNL depend heavily on rainfall patterns. The sub sector has been experiencing a poor performance resulting from drought and thus reducing the level of production. According to the FAO (2001) reports, since 2001 the country has registered lower rainfall than normal in all regions, and this indicates an economic threat to food security and a continuous decline in productions for export.

On that note in the above paragraph, amongst the population that engages in agricultural production on SNL comprise of women estimated at 57% of the total population in the sector. In the same population 32% are engaged in commercial farming whilst 29% are occasional farmers. The figures play a significant role in the analysis of land consumed for commercial and export production. It is also evident that the farming population lacks proper information on export development projects. However the issue of food security cannot be overlooked in the process of analysis.

Exports of agricultural commodities and industrial products play a significant role in the country's economic growth, development and food security. Like many developing countries, Swaziland still experiences the problem of food security, however she has continued to export some of her agricultural products other countries, which include overseas countries. Major contributors to real Gross Domestic Product (GDP) For Swaziland are reflected in table 3.2 below, which indicates that the manufacturing sector has taken the lead by 37 percent, government services 15 percent, service sector 10 percent and agriculture 9.8 percent. (Central bank of Swaziland 2002-2003)

Table 3.2: % Contribution by sector to GDP factor cost

Sector	1997	1998	1999	2000	2001
Agriculture	10.2	10.1	10.6	9.9	8.7
Mining	1.4	1.7	1.4	1.1	0.8
Manufacturing	37.5	36.9	36.0	35.8	35.6
Electricity &Water	3.3	3.4	3.4	3.1	3.2
Construction	4.9	5.4	5.8	6.2	7.0
Retail, Hotel & Restaurants	10.2	10.7	11.1	11.4	11.8
Transport & Communications	5.9	5.6	5.7	5.9	6.0
Banking, Insurance &Real Estate	7.7	7.5	7.7	8.0	7.9
Government Services	16.7	16.5	16.2	16.5	16.6
Other (forestry etc)	2.4	2.5	2.2	2.0	2.3
GDP at factor cost	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Swaziland (2002-2003) pg 52

The agricultural sector as one of the main sources of GDP indicates that production has been slowly declining to a stagnant position, however the tourism sector has shown signs of increase in their performance. There are many factors that may have contributed to the shift, amongst which trade liberalisation may be considered as one of the factors. Another factor could be a result of a shift or growth in other sector resulting from trade shifts discussed in the theory of comparative advantage.

It is however worth noting that such shifts in essential sectors of a country depend upon consumer shifts in preferences and the opportunities that the country is able to explore in world markets. This would also be determined by their growth strategies amongst which include a proper competitive strategy.

Agriculture as an essential service for Swaziland has remained an important issue in promoting economic growth and food security. In the recent years the country has been experiencing lower volumes of rainfall in almost all the parts of the four regions of the country, which also indicates a decline in the production.

Other agricultural products include livestock production. Livestock has been showing great improvement after the control of a serious outbreak of the Foot and Mouth disease. Livestock production is a major activity for small farmers, which owns about 77 % of the total cattle population. Swaziland has a potential of exporting an equivalent to the quota offered the country, however it only manages to export a small quantity as result of farmer's reluctance to sell their cattle unless forced by adverse economic and climatic conditions. In that regard the agricultural sector remains the focus of the country in terms of food production and food security.

3.7 Summary

The chapter has discussed a situational analysis for Swaziland, in which the economic situation was looked at covering different areas that contribute to the economy of the country. It was noted that Swaziland as a developing country is also faced with a slow to stagnant growth in the economy. The subsequent chapter will specifically analyse the situation of the country to determine whether it is worth liberalising and what would be the anticipated outcome of the whole situation.

Chapter 4

EVALUATION OF THE SITUATION

4.1 Introduction

Having discussed the profile of Swaziland, chapter four will assess the impact of trade liberalisation on the country as a developing economy. It is however, important to note that the impacts of trade liberalisation may take different forms in al developing countries. It is therefore important that in the analysis both the positive and the negative impacts be reviewed to assess the extent of the effects.

This section will revisit the theories discussed in chapter 2 with a brief look at trade policy instruments as an essential tool for discussion. Trade policy instruments have come as a hindrance in trade liberalisation and as such, it is necessary to consider the impact and to come up with a clear picture of whether the imposition of such policies have had a major impact in trading with other countries. Apart from these instruments there is also the issues of the WTO agreements that have been viewed to be impractical in the agricultural sector due to many factors characterised by this sector.

4.2 Comparative advantage and agriculture

The theory of comparative advantage (in Hill, 2003:163), a perspective of the analysis states, " potential world production is greater with unrestricted trade than it is with restricted trade". When discussing issues it is important to note that there are several factors a country needs to consider before conclusions on comparative advantage could be drawn and these are discussed in the following sub topics:

3.1.0 Collaboration between countries

According to the theory countries that trade more with each other have the potential of growing faster and attaining higher standards of living compared with those that trade less (Gabrielle K, 1999). It is highly accepted that when a country has strong collaboration with other countries stands a better chance of development and growth resulting from spillover. However it should be noted that trade does not occur on a one to one basis but it involves different countries that have a high possibility of trading in similar goods that country would regard as having comparative advantage in thus birthing competition. In that regard growth in that situation will also be determined by the country's ability to market its products to attain a higher market share.

Such a case may be different for developing countries, Swaziland inclusive, due to the fact that their trading partners are not at the same level in terms of production inputs. Many developing countries have experienced difficulty to trade at par with developed countries and as a result it has promoted high inequalities for these countries and a high discrimination between the rich and the poor.

4.2.2 Transportation costs and pricing system

Countries are characterised by different infrastructures and logistics for the transportation of products (Gabrielle K, 1999). In that way, there are additional costs that would depend on the point departure and the mode of transport for the product. If one takes the case of agricultural products, Swaziland produces primary goods that require proper storage facilities to prevent them from decays. In order for her to sell to international markets, it is important to consider the mode of transportation, which is likely to be the sea. As a landlocked country logistics may prove to be expensive thus increasing the price of the products.

Currently there is a shift in the agricultural sector, which now concentrates on agro-processed goods and they require proper industrial processes and compliance with the photo sanitary requirements. Many developing countries have not yet reached the level of forming agro- processing industries.

Apart from the transport costs, prices for goods are determined by production inputs and the fluctuation of exchange rates. Since the majority of developing countries source they production inputs from different parts of the world, the pricing system will be affected which also goes for their competitiveness. It is therefore important to consider the fact that, despite the growth shifts predicted by the theory of comparative advantage of a shift from the haves to the have not, the process has taken too long to compensate these shifts for developing countries and this includes the case of Swaziland. This has resulted in some of these countries substituting losses that have been incurred in open trade by increasing their tax base in order to balance the state of revenue in their countries. Currently Swaziland has proposed an increase in taxation and an introduction of a tax system that no longer exempt what has always been considered to be non-taxable benefits.

4.3 The case of Swaziland

When discussing the issue of comparative advantage in relation to Swaziland, it is important to consider the main products for export. Swaziland is characterised by a small geographical area, which may also limit production to the size of the land. Products that are cultivated mainly for export are grown on title deed farms and have the less likely impact of drought yet there are also factors that have a potential to affect these production processes which include excessive rains and low sugar sucrose. These products would include citrus, meat, sugar, wood pulp and canned fruit. In order to determine the impact of trade on the production it is important to look at the performance of these products and draw conclusions based on the trend that they have taken in the recent years. However, before discussing the sectoral analysis, it is important to consider the trade balance for the country so as to establish nature of trade in the country.

4.3.1 Trade Balances

Table 4.1: Summary table of trade balances

	1993	1994	1995	1996	1997	1998
Imports	86,713,041	117,903,409	168,893,347	196,602,319	185,406,435	172,689,799
exports	13,146,837	18,342,601	22,161,089	21,699,232	32,812,605	50,704,368

	1999	2000	2001	2002
Imports	285,432,198	220,268,744	405,645,157	579,838,870
Exports	47,237,520	96,138,859	65,413,730	76,270,417

Sources: dept customs & excise statistics office

Table 4.1 represents a summary of Swaziland's trade balance over a ten-year period. From the table it can be noted that since 1993 sales balances on imports have been increasing at a very high pace over exports, assuming it to be in line with quantities produced. For a country to be considered as having a healthy balance of payments, it should experience a higher balance of exports than imports. Trade liberalization is export oriented with countries being comparatively and competitively advantaged in international markets. If one considers the model of growth, Swaziland still experiences a slow growth pace in export production with a larger percentage of goods imported from outside countries like South Africa and other parts of the world.

A competitive position for a country will only apply whereby, the country in question has larger market share internationally. Currently, Swaziland claims a competitive advantage in the sugar industry because of preferential treatment accorded by the European and the US markets. The market share is estimated at 18 %, however given a level playing field in the market the country would experience difficulty coping with the existing competition. Apart from a larger market share, competitiveness would also consider price. If a country or business is competitively advantaged in terms of price, it must be a leader in the market. Given the state the country in terms of selling to other countries especially in European and the US markets, it can be classified as a market follower in the absence of the preferential treatment.

If one takes the example of beef, which is one of the products exported in large quantities, Tables on Appendix I, indicate that there has been an increase in production for export. However, increases indicated are still rising below imports of the same product. In that regard, apart from local producers being threatened by competition, there is an indication that Swaziland's production capacity does not supply adequate surplus for export. From the same tables it can be noted that there are numerous products for export but in small quantities, which could either result from competition or inadequate supply facilities to satisfy the market, since the country is characterized by a small geographical area yet highly populated.

4.3.2 Citrus

Table4.2: ***Citrus production and sales***

	1998/9	1999/00	2000/01	2001/02	2002/03
Area cultivated (ha)	2,885.90	2,581.40	2,616.4	2,513.74	2,215.7
Crop on trees	101,584	109,187	100,977	100,072	89,854
Vol of exports (Mt)	51,651	47,253	46,395	42,770	40,020
Value of exports (E'000)	65,12	81,07	71,87	82,91	60,15
Vol of domestic sales (Mt)	42,450	55,341	48,316	55,218	47,147
Value of domestic sales(E'000)	8.5	6.5	8.88	16.78	13.26

Source: Central Bank Swaziland pg 55 **NB: 1metric ton (Mt)-1000kgs**

Vol: volume

The main export markets for the country's citrus produce are the European Union, Far East and Japan whilst the main competitors are the United States and South America. Table 4.2 is divided into four sections namely area cultivated, produce, volume of exports and domestic supply, and the value of exports and domestic sales. The area cultivated for citrus produce indicates a gradual decline trend, which resulted from a shift by major citrus estates to produce sugar. Other factors that resulted in the shift the shift were the weather condition as well as the decline in local and international prices. In that regard the table indicates an overall decline of 23.2 from the period 1998 t0 2002.

The decline in the area cultivated also affected the volume and the value of domestic and export supply. The volume of citrus exports indicates an overall decline with a fluctuation in the sales volume resulting from the unstable performance of the currency against major currencies. Apart from the natural causes of decline in production, consumption patterns can also play an important role in the performance of a country's export products. Swaziland experienced a demand shift in the Japanese market from rubies brand to the marsh brand not produced in the country. As a result the citrus industry incurred huge losses in the process of the changes.

Whilst the volume of export declined, there was an increase in domestic supply. It should be noted that sales volume of exported products will always be higher than sales of domestic goods. Domestic prices will be determined by the supply of the product they a good determinants in exploring potential foreign markets. One of the major reasons for the difference would result from currency depreciation. In a situation where a country experiences depreciation in their currency, it is recommended that they increase exports and reduce their imports. In situations for developing countries, despite their export potential, they tend to import more than what they export and that result in a trade deficit with minimal realisation of the benefit of trade.

Another main issue faced by the citrus production is that of sanitary phyto sanitary measures. In order for the product to qualify in international markets, it has to satisfy the rules covered in citrus exports. With the present hinges on climatic conditions the produce is exposed to many diseases and there is the likelihood of not meeting the required standard. In that regard the future of citrus produce seems to be bleak and as a result major effects will impact on the producers and employees in the industry. A conclusion that could be drawn on citrus production indicates a negative impact and also to consider the fact that switching from citrus to other products will be determined by the nature of the soils, the technology available for the farmers and the cost that are involved in the production process. However, there is need to develop this sector by introducing canned fruit and preserves as a means of diversification.

Alternatively, there is an emerging market for baby vegetables for the EU market however, Swaziland still experiences problems in finding airfreight space since it is expensive and limited. The main sources for these markets were South Africa and Zimbabwe, recently South Africa's price do not seem favourable in this sector with Zimbabwe experiencing an economic depression. In that regard Swaziland could explore those opportunities. Swaziland still faces the problem of inadequate production due to lack of skills and thus there is a need to develop producers for these markets.

4.3.3 Livestock

Table4.3: *Meat production and sales*

	1998/9	1999/00	2000/01	2001/02	2002/03
Production (Mt)	**4,623**	**5,939**	**7,210**	**8,018**	**12,500**
Exports (Mt)	**644**	**967**	**1,247**	**140**	**300**
Value of exports (E'000)	**12,861**	**31,428**	**19,109**	**3,722**	**15,400**
Domestic (Mt)	**4,674**	**5,061**	**2,034**	**4,590**	**5,158**

Source: Central Bank Swaziland pg56

In Swaziland, about two thirds of the entire land is used as grazing fields with about 70% represented by the SNL. Many people in this are still use cattle as security for wealth and cultural practices such as ***lobola*** (payment for the bride). On that note Swaziland still has a substantial productive sector both in the SNL and TDL for commercial purposes by small, medium and large-scale producers.

The main export market for meat production in Swaziland is the European Union whilst the same region remains the highest competitor in the world market for beef products. In this situation an agreement was made between the EU and Swaziland through the import quotas on the export of beef into member countries, which is subject to renewal and compliance with requirements. The maximum permissible quota of beef exported into the European Union is 3500 tons of boneless hindquarter, which is granted free customs duty and a 90% levy rebate.

Table 4.3 indicates that meat production has been gradually increasing in line with the volume and the value of exports domestic production. Overall, production on average has increased by 23% from 1998 to 2002. In sustainable development terms, when a country is deemed to have a positive impact in trade liberalisation, its production capacity should indicate a positive trend for both export and domestic production. However during the period of 2001 there was decline in exports resulting from the foot and mouth disease. This decline did not only affect the export performance but also the domestic production processes. The future of the meat industry indicates a promising potential for growth provided by proper expansion strategies into the world markets and good technology for breeding livestock.

Currently the country is faced with low production for export as a result it is unable to meet the market demand. There are also several factors that are a constraint in the development of an efficient and productive livestock sector, which are feeding and water, diseases, breeds and breeding practices, marketing and research, lack of capital.

For the SNL there is still a problem of water sufficiency, many areas depend on the natural way of water supply i.e., rainfall. This has resulted in some areas experiencing overgrazing, degradation and soil erosion. Production for export requires quality beef and in that regard livestock on SNL end up producing very few cattle for beef production. As it has been noted on table 4.3 that livestock production declined due to foot and mouth disease, these are some of the issues that have also paused as a constraint in beef production. The Uruguay round of agreement declared a cut in subsidies, which may result in many households not affording to finance dipping chemical since they are very costly.

Despite the large quantities of livestock, Swaziland still imports cattle from neighbouring countries for cross breeding, but due to the unfavourable weather conditions some of these cattle are not able to adapt fully and still maintain their production character.

On that note, it is important that exporters should collaborate with farmers in sale of cattle to increase their supply in the world markets. However most rural farmers who are in the SME sector lack access to capital and due to the land tenure system, they cannot afford to use their few tangible assets as security for the land. Another constraint is the high interest rates on loans. Despite all these factors, Swaziland still has the potential to produce but there is a need to do a proper market research in order to acquire relevant information for expansion.

To summarise the sector, it can be concluded that trade liberalisation would benefit the sector however the first mover strategy into world markets is required to earn higher profit shares as well proper production facilities that would increase beef production in the industry. The country needs to explore other alternative means to produce brands that could attract international markets and this would serve as an added advantage to the growth of the industry.

4.3.4 Sugar

Table4.4: ***Sugar production and sales***

	1998/9	1999/00	2000/01	2001/02	2002/03	2003/04
Production (Mt)	474,790	534,183	528,241	500,680	583,014	666.53
Exports (Mt)	197,463	250,912	275,727	207,284	296,534	333
Value of export (E'm)	594.0	629.0	644.0	647.2	689.0	765
Domestic sales	27,012	27,479	25,478	302,250	299,000	346.320

Source: Central Bank Swaziland pg 57

Swaziland's sugar cane is processed in three mills located in the lowveld and Middleveld. These areas do not have adequate water supply and as a result production is aided by irrigation, however the area is suitable for sugar cane growth. A larger percentage of export production relies mainly on sugar export. Table 4.4 indicates that sugar production has been on the increase with an increase in export volumes. However it can be noted with concern that due to high quantities of export domestic sale in the period 1998 and 1999 have experienced a slow growth. It cannot be disputed that export sales have increased the level of income for the industries but the concern is on the future of the industry.

Currently, the Swaziland sugar industry sells into five main markets namely EU, US, SACU, COMESA and other world's small markets. In the European markets Swaziland sales at a preferential treatment however due to increased competition from SADC, the production of sugar has increased whilst the price of sugar has been slowly declining which leaves the future of the sugar industry uncertain for Swaziland. In that regard it is important to note that the sugar industry in Swaziland is the largest employer of labour and as a result of this decline people are threatened by the loss of jobs. In the process of these retrenchments the informal sector has been on the increase with lack of necessary skills to conduct efficient business. It cannot also be disputed that in the process of job losses poverty will be on the increase resulting in economic decline, since government expenditure would have to increase in order to cater for the unemployed in their poverty intervention strategies.

Another challenge facing the sugar industry is their uncertainty considering the EU-EPA new developments. The import quota in these countries has been reduced to 30000 tonnes from 50000 tonnes. In that regard, Swaziland is responding negatively to these liberalisation shifts accompanied by the unfavourable exchange rate, which is pegged to the Rand.

Table 4.5 shows the structure of pricing trend per tone in the export markets:

Table 4.5: Pricing structure for Swaziland in the Export markets

Market/period	1998/99	1999/00	2000/01	2001/02	2002/03	Av price
EU	1.8	3.2	2.1	2.1	3.1	2.5
US	1.4	2.3	2.1	1.9	2.8	2.1
SACU	1.1	2.2	1.5	1.3	1.7	1.6
WORLD	1.0	1.0	1.0	1.0	1.0	1.0
AVE PRICE/T (E'm/tonne)	2.429	2.367	2.401	2.951	3.053	2.640

Source: Central Bank Swaziland

There are a lot of uncertainties in the sugar industry as the major source of income in the export market. Water supply is another factor; with the new water bill enacted there is a high possibility of increased production costs thus increasing the price of sugar.

Overall, Swaziland experiences a very small change in pricing characterised by fluctuations and uncertainties as a result of the on going changes in the market environment. The question in this situation would be directed to the future of the Swazi economy in the light of the decline in their share price in world markets given the industry to be the highest income-earning sector for the Swaziland. From the outline of this trend, currently trade liberalisation is impacting negatively on the Swazi industries.

4.3.5 Wood pulp

Table 4.6: Pulp production and exports

	1998/9	1999/00	2000/01	2001/02	2002/03
Production (Mt)	163229	165184	154158	183949	186649
Exports (Mt)	256549	165753	132852	186104	197681
Value of exports (E'000)	310500	350636	446091	515678	637900

Source: Central Bank Swaziland 2003pg 57

The pulp industry supplies markets in the Far East, US, Saudi Arabia and China. Table 4.6 shows an increase in production marked by an overall average growth of 14% from the period 1998 to2002/3. Export production shows a fluctuating average growth of 2.2%. Given the several markets the industry has explored it is evident that the sector has a potential for growth, however it is also faced with the challenge of the currency against the major currencies.

Table 4.7: contribution of selected products in agricultural sector to GDP (2000-2003)

	% Contr to National GDP	% Contr to Agric GDP
SNL CROPS	1.1	8.3
TDL CROPS	11.2	82.4
LIVESTOCK	1.3	9.3
TOTAL	13.6	100.0
Contents of sugar cane	8.2	60.0

Source: Central Statistics Office

When referring back to the literature review it pointed out that a higher percentage of land is utilised for agricultural production. In that regard the contribution of production to GDP reflects sharp contrast to the utilisation of land and labour. Most of the agricultural land and labour is concentrated on SNL crop and livestock production but they account for approximately 2% of the GDP. One of the major reasons behind the problem results from inadequate factors of production that bring forth poor quality produce. Most of the SNL production processes focus on subsistence farming or maize if the produce for commercial purposes. Some of the factors that have caused producers to concentrate on the same type of production are the lack of the necessary expertise to change into alternative products that have the potential to grow under those climatic conditions the same applies for livestock.

Given trade liberalisation and the current situation for Swaziland, she still lags behind where efficient production is concerned due to huge portions of land concentrated on small-scale farming. Moreover it is important to consider that major improvement on agricultural production will leave many households with low incomes because for sustainability most of the products found in the country are imported from other countries and therefore the money that could be used to accumulate wealth will be used to purchase other goods. There is also the rain fed agriculture, which does not have the potential to provide people living on SNL with an acceptable level of income and produce other crops for export.

Given the above analysis on the overall trade balances and by sector, it is also important to consider the country's revenue streams since 1998 to date. And this is reflected on table 4.8 below:

Table 4.8:Revenue stream

% Share of Gvt revenue	**98/99**	**99/00**	**00/01**	**01/02**	**02/03**	**03/04**
From SACU	48.3	48.1	51.8	50.3	51.7	51.0
Sales tax	12.3	13.1	13.7	13.6	15.0	15.4
Income tax	13.4	15.6	15.9	14.0	13.1	12.4
Corporate tax	11.7	10.9	8.6	8.3	8.7	8.4
Other taxes	14.3	12.2	10.2	13.7	11.5	12.8

Source: Metra Economic Consulting(2004)

From table 4.8 it can be noted that the revenue collection trend for Swaziland is highly concentrated on customs revenue mainly from the collection of import and excise duties. In the light of the current WTO agreements, the state in which the country is in proves to be unfavourable since the main focus on trade relied on imported goods. This is also evident in the trade balance, which indicates high balances on imported goods that exports.

For the country to concentrate on export production, it will require a major restructuring process for both the public and private sector. In these restructuring processes, there is the potential of job losses and high expenditure budgets to carry out the exercise. In the light of mass retrenchments, Government has to try and create jobs for the jobless, which is also a burden.

4.4 Summary

The chapter has addressed the analytical issues on Swaziland laying emphasis on the different sectors that are produced for exported. It was noted that in some sectors Swaziland has shown potential growth in their production processes. However the sector that is deemed to be the strong pillar for economic growth in export development has shown signs of decline due to intense competition in international and regional markets. It has also been noted that diversification could be an alternative but with the current situation it will take a long time to realise returns in the process creating a market share.

To conclude the sector it can be said that trade liberalisation comes with growth but not for all sectors of production and therefore it is important that nations at large, when formulating rule for conducting trade should consider that one pill couldn't be used to treat patients that have different illness i.e. countries have different economic situations. In the case of Swaziland, the country is characterised by a small geographical area that is limited poor export development strategies in small, medium enterprises yet it is a sector that has shown expansion lately.

The next chapter, which is the concluding section of the study, will focus on the overall summary findings and case studies for developing countries that have experienced liberalisation to determine their successes and failure. One of major reasons why I have chosen to quote these cases, it is because developing countries have a lot in common and therefore effects of trade liberalisation might take the same trend especially with African economies with very slight differences in the process.

In the light of such circumstances, it is essential that countries, including Swaziland, need to work towards developing proper strategies that would allow them to adapt to the situation in question.

5.3 Competitive strategies for individual producers

It is recommended that in order to compete in this new economic environment, companies, Governments and countries need to be ever more efficient, ever more responsive to market signals and ever more innovative in order to keep up with the demands and opportunities offered by the market. Clearly, those countries most likely to succeed are those that have (International Trade Center, 1997);

- ***Most access to technology***

  Technology serves as the basis for industrialization. Countries that have advanced technology normally have an accessible infrastructure that allows them to enjoy increased production. It is important that Swaziland improves their technology as well as an infrastructure that will allow quality production and an inflow of foreign direct investment.

- ***Are the innovators of technology:***

  There is a positive relationship between efficient supply and innovative technology. Innovators of technology have the advantage of producing improved products, which is what many developing countries lack. In that regard, it is important that Swaziland shifts from producing primary products in the agricultural sector but also explore the opportunity of trying out processed foods. Some parts of Swaziland still engage in the natural methods of production. Such needs to be improved, however they lack funds to improve the system. Government could play the lead role in trying to improve farming technology.

- ***Have the most highly educated labor force:***

  Due to privatization, which is also part of restructuring, Swaziland experienced a shift from the formal to informal sector. Most of the people engaged in that sector lack adequate capital and the skills to produce for export. There is the need for establishing programmes that will allow business management skill as well as production strategies especially in situations whereby there is a market saturation of exported products. Diversification will also come with the suitability of the land of which is a vital area to consider. In that regard, it is necessary that the country develop adequate financial access points to finance theses sectors.

- ***Have best access to risk capital:***

  Countries are characterized by risk factor and in that regard; countries that will survive are those that have access to risk capital in order to allow for unexpected losses.

- **Market research**

  International marketing strategies need to be developed to qualify the country to compete in international markets. This can be done by analysing market information and potential changes in consumer preferences.

- ***Food security and sustainability***

  Food security and sustainability is one of the major impacts in developing countries. A larger percentage of these countries are still below attaining an acceptable sustainability in their countries, considering that African economies use agriculture as the main source of economic development. In the process of producing for export, Swaziland also needs to find alternative ways of maintaining their food security by ensuring monitoring of exports to ensure that what is exported remains the surplus of their overall production.

- ***Are most able to communicate with partners and consumers:***
  Since many developing countries like Swaziland still needs access to technology and innovative ideas, it is important that export development bureaus and updated research information be strengthened. This will also assist stakeholders and export development companies (EDCs) to acquire relevant information and proper skills where issues pertaining to trade are concerned. However, one cannot dispute the fact that EDCs do not allow direct communication between trader and customer and as a result producers of these goods run the risk of losing their customers in cases whereby a problem arises between the urgent and importer. A national marketing board was introduced (NAMBOARD) for Swaziland to cater for agricultural production but producers felt that instead of them benefiting from these markets they had to sell to the board at a lesser profit.

5.4 Structural adjustments and collaboration with countries

The best-adapted countries to the new environment at present are the industrialized countries, which are unabashedly gaining most from the system. These gains are not marginal, as lead countries take a lions' share of the profits and leave a diminishing amount for the rest of the players.

Structural adjustments programmes as a strategy to liberalise have proved not to be favorable for many developing countries and as a result it has also portrayed an adverse picture of globalisation. The main reasons behind these factors are similar to those that have been discussed in the first paragraph.

It is evident that a larger percentage of the Swaziland revenue is collected from customs duties and therefore the complete removal of tariffs will cripple the economy of the country. It is recommended that a rehabilitation of tariffs will be the best option for the countries until the country develops new strategies for increased revenue.

Although institutions like the African Unity and regional negotiations have been used to facilitate co-operation between African countries in their efforts to co-ordinate negotiating positions, they have failed to reach the degree of consensus achieved by developed countries. They have failed to fully represent their countries due to inadequate capacity, which includes trade experts and lawyers.

5.5 Other factors to consider for the agricultural sector

There are also several factors that have been considered for Swaziland on the impacts of trade liberalisation namely; world open market price, their current share in preferential markets, the size of sales in regional market, an overall market share of all exported products, exchange rates and their ability to maintain and expand their markets for sustainability. Many African countries produce the same agricultural commodities produced in Caribbean and Pacific countries and face similar development problems as those countries.

This brings us to notice that the problem for countries like Swaziland is not only technical but also economic given the issues discussed in chapter 4. Swaziland like other African countries are threatened by competition and therefore it is important that an analysis of existing and potential national production of agricultural products should be undertaken together with a similar analysis for neighboring countries. Such an exercise would identify potential trade opportunities and also determine the feasibility of switching from products currently produce as a means of attaining comparative advantage. This would allow support to be offered to enterprises capable of increasing trade.

It should not be ignored that in the agricultural sector, supply and demand does not always respond to price signals since farmers cannot easily and quickly change their production to respond to price changes. Consumers on the other hand hardly adjust their consumption patterns when there are price changes. As a result comparative advantage cannot be quickly realized since changing production processes also require the suitability of soils on which these crops are to be ploughed.

The agricultural sector is currently faced with market distortions that have also proved that, subsidies and domestic support are not the main problem for developing countries. New anti dumping measures need to be formulated that will protect these countries from destruction of emerging small businesses.

It has also been noted that in most cases export subsidies and domestic support in developing countries are not the major causes for price distortions but low pricing and dumping cause it. Countries that have removed their export subsidies and domestic support still experience low pricing. The case of Tanzania and Kenya are typical example of the negative impact of liberalization in developing countries. These two countries portray some of the problems faced by developing countries especially the African continent.

Conclusions

Having discussed the above recommendations and the overall case of Swaziland, conclusions that can be drawn from the study are that developing countries need a time to address their economic situations before formulation the necessary strategies to compete in the global markets. There is also the need to have strong trade negotiators for these countries to ensure that they do not suffer these negative anticipated effects of trade liberalization.

Tanzania case2

WTO: member

Status: Least Developed Country

ACP: member

Population 33.7 million Population growth rate 2.6%

GDP growth rate (2000) 5%

Percentage population in agriculture **80**

Agriculture as percentage of GDP **50**

Main food crops

Rice • Maize • Cassava

Main Cash crops

Coffee • Cotton • Tea • Tobacco • Cashew nuts • Sisal • Cloves • Honey and beeswax

Added value agricultural products

Textiles and leather

Agriculture and the Economy

In 1986 Tanzania embarked on an economic recovery programme followed by an Economic and Social Action Programme in 1989. Both programmes were sponsored by the World Bank and IMF.

Within these programmes state controls were dismantled, the private sector *was promoted, the trade and the exchange rate system were liberalised, price controls were eliminated and most state monopolies were privatised. Development priority was given to roads, railways and ports. The economy expanded during 1986 to 1994 after a long period of stagnation but deteriorated again in 1995 to 1996. The setback was attributed to worsening macroeconomic management and development assistance was withdrawn. Aid was reinstated after the government committed itself to further reform and the economy began to improve again.*

Tanzania remains one of the world's poorest countries, however, partly because of its heavy reliance on the agricultural sector which has been hit hard by adverse climatic conditions and falling market prices. Agricultural development is constrained by lack of irrigation and only about 15% of available arable land is cultivated.

The country produces one quarter of the world's cashew nuts but exports a significant proportion of them in the unprocessed form to the Indian sub-continent for de-shelling. Some shelling takes place in the country but the industry was set back by the introduction of inappropriate high-tech equipment. Small-scale cashew nut producers have benefited from a return to a system where they can bargain directly with buyers. The sisal market has suffered a long-term decline due to competition from synthetic fibres for use in bags and ropes. Tanzanian production has fallen from a quarter of a million tons a year in the 1960s to around 35,000 tons. The clove industry representing the bulk of Zanzibar's exports have suffered after the collapse of the price after Indonesia, the world's largest importer, was assisted to become self-sufficient in supplies. There has been a serious decline in coffee and cotton production as the price of these commodities also fell. Production of tobacco, tea, cashew and horticultural products has risen, however, in recent years.

Kenya case3

WTO: member

Status: Developing Country

ACP: member

Population 30.1 million Population growth rate 2.4%

GDP growth rate (2000) - 0.2%

Percentage population in agriculture 50

Agriculture as percentage of GDP 30

Main food crops

Maize • Sorghum • Cassava • Beans • Fruit

Main Cash crops

Tea • Coffee • Sugar • Cotton • Pyrethrum • Sisal • Tobacco • Pineapples

Added value agricultural products

Agriculture and the Economy

Kenya is the richest country in the region and has enjoyed several decades of relative stability. The country also has a relatively diversified economy although manufacturing still represents only about 15% of GDP. The Kenyan economy grew steadily from independence as the government encouraged *inward investment and competition. Import and export licensing was abolished and the exchange rate was allowed to float freely. Many state enterprises have been privatised and the public sector now plays only a minor role in production and distribution. In the 1990s the economy began to falter. Investments and savings fell. In recent years, international backing has frozen due to the failure of the government to implement anti-corruption strategies. The government was also considered to have mismanaged public resources and development assistance.*

Although subsistence farming still represents half of agricultural output, the agricultural sector includes many large-scale commercial farms, plantations and specialist horticultural units. Agricultural growth has been restricted, however, due to shortages in arable land, lack of irrigation, poor supply of seed, recurrent drought and inadequate storage facilities. Land shortages have provoked some farm occupations but nothing near the scale of occupations in Zimbabwe. Domestic food production now fails to meet local demand and in 2000 food imports amounted to 4.5 billion Kenyan shillings.

Horticulture and flower production have been growth industries and now represent Kenya's second largest export commodities. Smaller producers of these products situated further away from the main markets have difficulties selling their output in times of plentiful supply. Sugar production has been hit by the massive dumping of imports and local production now fails to meet local demand. There is now reduced state control of grain markets. Co-operatives and private sector producers represent 20% of the market which has stimulated grain production. Maize imports are restricted by a 25% import tariff. The low price of beans has encouraged imports from lower cost producers in Uganda, Ethiopia and Tanzania.

Coffee production has been disrupted by clashes between rival farmers over management of co-operative societies. The Coffee Board of Kenya has been accused of imposing high costs on producers and it now separates its research and disease control activities from marketing. 30% of coffee production costs go into disease control which may be alleviated by the introduction of the new RUIRU 11 resistant variety.

Kenya produces 200,000 tons of tea per year but production is subject to frost damage. The UK and Pakistan are the largest customers but there has been a dispute with Egypt recently over import duties. Smaller tea producers are adversely affected by poor processing equipment and inadequate roads, which has led to high levels of wastage.

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Appendix I

a)

EUROTRACE / SWAZILAND
14/06/2004 10:05:35

□(s3BYearly Foreign Trade

Period : 1993 AND 1994
Partner(s) : National World
Nomenclature : National
List : AGRIC. PRODUCTS Lis

Ranking on Commodity	**Imports (Emalang)**	**TOT Exports (Emalang)**	**Imports -1994**	**TOT Exports -1994**
010511 Live fowls of species Gallus domesticus, weighing =<185g (chicks)	654,597	343,630	2,182,427	548,441
010519 Live ducks, geese, turkeys and guinea fowls, weighing =<185g	1,871,670	31,370	2,025,950	3,000
010591 ... ??!	277,020	2,000	468,052	1,750
010599 Live ducks, geese, turkeys and guinea fowls, weighing >185g	690,541	1,776,618	172,808	0
020110 Fresh or chilled bovine carcasses and half carcasses	1,651,078	3,231	2,444,405	257,115
020120 Fresh or chilled unboned bovine meat (excl. carcasses)	336,693	6,696	394,001	10,183,736
020130 Fresh or chilled boneless bovine meat	325,148	3,866,907	370,771	3,460,867
020210 Frozen bovine carcasses and half carcasses	9,164,792	41,897	12,271,132	6,478
020220 Frozen unboned bovine meat (excl. carcasses)	1,059,795	5,263,876	3,492,837	73,239
020230 Frozen boneless bovine meat	264,652	760	338,148	0
020410 Fresh or chilled lamb carcasses and	1,048	0	125,443	0

half carcasses				
I020421 Fresh or chilled sheep carcasses and half carcasses (excl. lamb)	0	80	-	-
I020422 Fresh or chilled unboned meat of sheep	53,129	300	41,760	0
I020423 Fresh or chilled boneless meat of sheep	-	-	1,028	4,850
I020430 Frozen lamb carcasses and half carcasses	0	12,682	-	-
I020441 Frozen sheep carcasses and half carcasses (excl.lamb)	-	-	35,953	0
I020442 Frozen unboned meat of sheep	26,000	0	-	-
I020450 Fresh, chilled or frozen goat meat	4,608	0	64,236	0
I020710 ... ??!	4,323,215	94,574	4,185,111	3,594
I020721 ... ??!	4,061,677	7,723	4,543,791	11,627
I020722 ... ??!	383,928	0	91,329	0
I020723 ... ??!	341,790	0	43,839	0
I020731 ... ??!	38,258	0	28,428	0
I020739 ... ??!	100,679	1,592	431,963	0
I020741 ... ??!	499,890	125	570,085	350
I020742 ... ??!	74,110	0	5,442	0
I020743 ... ??!	2,738	0	-	-
I020750 ... ??!	298,018	0	352,006	0
I020900 Pig and poultry fat, fresh, chilled, frozen, salted... or smoked	40,997	0	22,859	0
I090111 Coffee, not roasted or decaffeinated	317,087	0	812,639	3,496
I090112 Decaffeinated coffee, not roasted	66,925	0	382,716	114
I090121 Roasted coffee, not decaffeinated	206,283	0	242,861	0
I090122 Roasted, decaffeinated coffee	81,018	28,527	19,008	82,284
I090130 ... ??!	91,751	0	230,815	701
I090140 ... ??!	152,011	306	343,793	71,111
I090210 Green tea in immediate packings	1,340,921	25,474	2,242,808	22,814
I090220 Green tea, nes	77,768	0	49,487	4,028
I090230 Black tea (fermented) and partly	205,407	1,321	1,764,146	48,985

fermented tea in immediate packi				
I090240 Black tea (fermented) and partly fermented tea, nes	885,230	60	1,544,662	182,458
I100110 Durum wheat	29,253	0	69,601	29,516
I100190 Spelt, common wheat and meslin	22,350,178	554	30,182,375	0
I100400 Oats	143,847	0	164,051	0
I100510 Maize seed	5,242,399	700,404	6,126,922	8,010
I100590 Maize (excl. seed)	9,473,719	224,313	5,774,721	17,483
I100610 Rice in the husk (paddy or rough)	5,171,009	109,986	6,368,562	57,326
I100620 Husked (brown) rice	3,007,461	32,881	2,596,605	17,954
I100630 Semi-milled or wholly milled rice	2,484,153	39,200	5,409,573	30,708
I100640 Broken rice	428,988	99,955	519,181	0
I100700 Grain sorghum	1,965,493	26,925	2,522,410	154,796
I120600 Sunflower seeds	143,986	0	115,088	0
I150100 Lard, other pig fat and poultry fat, rendered	119,706	148	155,602	56
I151211 Crude sunflower-seed and safflower oil	1,606,267	11,277	2,009,502	316,695
I151219 Sunflower-seed and safflower oil (excl. crude) and fractions	3,711,336	389,799	12,815,588	2,738,952
I151221 Crude cotton-seed oil and fractions	2,997	0	452	21
I151229 Cotton-seed oil (excl. crude) and fractions	472,743	1,646	188,494	46
I160231 Preparations of turkey meat	-	-	26,094	0
I160239 Other	389,034	0	521,849	0
TOTAL	**86,713,041**	**13,146,837**	**117,903,409**	**18,342,601**

b)

Period : 1995 AND 1996

Partner(s) : National World
Nomenclature : National
List : AGRIC. PRODUCTS Lis

Ranking on Commodity	Imports (Emalang)	TOT Exports (Emalang)	Imports -1996	TOT Exports -1996
010511 Live fowls of species Gallus domesticus, weighing =<185g (chicks)	5,641,686	354,723	9,334,044	610,594
010519 Live ducks, geese, turkeys and guinea fowls, weighing =<185g	840,918	102,000	926,489	0
010591 ... ??!	370,383	0	869,762	0
010599 Live ducks, geese, turkeys and guinea fowls, weighing >185g	32,251	1,700	761,405	90,000
020110 Fresh or chilled bovine carcasses and half carcasses	3,957,880	249,187	4,896,767	306,135
020120 Fresh or chilled unboned bovine meat (excl. carcasses)	372,696	12,697,105	201,694	22,379
020130 Fresh or chilled boneless bovine meat	545,673	154,355	190,598	88
020210 Frozen bovine carcasses and half carcasses	24,851,719	1,126,634	20,774,513	502,762
020220 Frozen unboned bovine meat (excl. carcasses)	4,856,365	460,646	2,625,858	146,456
020230 Frozen boneless bovine meat	1,409,523	665,222	972,386	1,887,609
020410 Fresh or chilled lamb carcasses and half carcasses	232,181	0	306,506	0
020421 Fresh or chilled sheep carcasses and half carcasses (excl. lamb)	47,917	0	0	1,764
020422 Fresh or chilled unboned meat of sheep	65,527	0	24,571	0
020423 Fresh or chilled boneless meat of sheep	-	-	50	0
020430 Frozen lamb carcasses and half carcasses	0	77,175	447	0
020441 Frozen sheep carcasses and half carcasses (excl.lamb)	43	0	2,520	0
020442 Frozen unboned meat of sheep	-	-	7,095	0
020443 Frozen boneless meat of sheep	6,442	0	19,928	0
020710 ... ??!	5,997,422	34,812	11,549,546	61,139
020721 ... ??!	7,839,820	34,299	4,876,050	3,488
020722 ... ??!	72,464	0	93,818	0
020723 ... ??!	-	-	2,381,051	5,844

020731	... ??!	497	0	425,225	193
020739	... ??!	134,229	10,458	636,192	819
020741	... ??!	390,708	1,404	465,760	1
020743	... ??!	242	0	-	-
020750	... ??!	352,158	0	6,247	0
020900	Pig and poultry fat, fresh, chilled, frozen, **salted... or smoked**	5,490	0	63,313	0
090111	Coffee, not roasted or decaffeinated	638,665	12,903	813,068	0
090112	Decaffeinated coffee, not roasted	501,442	1,391	423,636	5,629
090121	Roasted coffee, not decaffeinated	442,022	0	926,529	1,051
090122	Roasted, decaffeinated coffee	263,407	1,848	334,495	837
090130	... ??!	116,002	0	62,970	0
090140	... ??!	247,099	1,057	117,489	388
090210	Green tea in immediate packings	1,147,209	105,741	528,936	76,963
090220	Green tea, nes	46,444	0	211,328	3,500
090230	Black tea (fermented) and partly fermented tea in imme**diate packin**	4,009,947	97,443	6,272,526	33,520
090240	Black tea (fermented) and partly fermented tea, nes	2,053,002	250,219	396,267	385,031
100110	Durum wheat	554,285	104,217	322	106
100190	Spelt, common wheat and meslin	4,239,354	88	51,371,947	728
100400	Oats	142,337	1,412	328,775	173
100510	Maize seed	10,649,225	161,970	7,253,025	533,277
100590	Maize (excl. seed)	40,963,100	30,821	13,107,683	370,409
100610	Rice in the husk (paddy or rough)	5,979,264	38,998	5,731,933	67,020
100620	Husked (brown) rice	2,746,976	11,465	1,044,019	86,869
100630	Semi-milled or wholly milled rice	9,863,350	79,953	10,153,089	117,473
100640	Broken rice	1,141,798	26,603	3,432,749	14,272
100700	Grain sorghum	2,673,723	46,513	2,006,293	24,808
120600	Sunflower seeds	288,904	345,198	988,548	115,870
150100	Lard, other pig fat and poultry fat, rendered	35,758	60	21,293	0
151211	Crude sunflower-seed and safflower oil	5,714,506	1,237,453	11,559,924	701,631
151219	Sunflower-seed and safflower oil (excl. crude) **and fractions**	13,229,816	3,245,244	14,559,950	14,519,843
151221	Crude cotton-seed oil and fractions	36,771	0	12,808	19,790
151229	Cotton-seed oil (excl. crude) and fractions	831,420	390,598	1,089,105	980,773
160231	Preparations of turkey meat	11,446	0	14,029	0

160239 Other	2,301,841	174	1,427,748	0
TOTAL	168,893,347	22,161,089	196,602,319	21,699,232

c)

Period : 1997 AND 1998

Partner(s) : National World

Nomenclature : National

List : AGRIC. PRODUCTS Lis

Ranking on Commodity		Imports (Emalang)	TOT Exports (Emalang)	Imports -1998	TOT Exports -1998
010511	Live fowls of species Gallus domesticus, weighing =<185g (chicks)	11,519,088	3,188,936	10,593,770	4,611,948
010519	Live ducks, geese, turkeys and guinea fowls, weighing =<185g	277,475	10	615,735	3,735
010591	... ??!	297,744	0 -	-	
010599	Live ducks, geese, turkeys and guinea fowls, weighing >185g	759,171	12,000	2,198,669	235,098
020110	Fresh or chilled bovine carcasses and half carcasses	1,674,902	903,773	1,055,612	1,650,098
020120	Fresh or chilled unboned bovine meat (excl. carcasses)	124,071	1,107	135,483	45,352
020130	Fresh or chilled boneless bovine meat	170,782	2,037,559	192,606	7,283,177
020210	Frozen bovine carcasses and half carcasses	15,125,955	704,615	9,373,585	219,755
020220	Frozen unboned bovine meat (excl. carcasses)	1,082,227	3,240	1,880,030	10,618
020230	Frozen boneless bovine meat	900,465	72,711	957,572	5,113
020410	Fresh or chilled lamb carcasses and half carcasses	745,506	53	532,242	2,247
020421	Fresh or chilled sheep carcasses and half carcasses (excl. lamb)	17,430	0	241,444	293
020422	Fresh or chilled unboned meat of sheep	21,384	4,448	112,033	0
020423	Fresh or chilled boneless meat of sheep	140,768	12,696	298,041	23,760
020430	Frozen lamb carcasses and half carcasses	78,723	0	31,971	0
020441	Frozen sheep carcasses and half carcasses (excl.lamb)	274,966	0	54,313	407
020442	Frozen unboned meat of sheep	92,210	0	132,018	0
020450	Fresh, chilled or frozen goat meat	173	0	213,294	0
020710	... ??!	11,512,567	76,451 -	-	
020721	... ??!	0	10,473 -	-	
020723	... ??!	240,492	11,266 -	-	
020731	... ??!	12,986	346 -	-	
020739	... ??!	144,016	2,251 -	-	

020900	Pig and poultry fat, fresh, chilled, frozen, salted... or smoked	131,735	0 -	-	
090111	Coffee, not roasted or decaffeinated	280,975	623	465,873	0
090112	Decaffeinated coffee, not roasted	428,780	0	510,508	0
090121	Roasted coffee, not decaffeinated	1,010,519	32,071	1,245,622	0
090122	Roasted, decaffeinated coffee	992,022	14,469	2,646,824	20,659
090140	... ??!	86,243	803 -	-	
090210	Green tea in immediate packings	494,530	24,775	308,963	4,078
090220	Green tea, nes	749,044	0	1,087,734	705
090230	Black tea (fermented) and partly fermented tea in immediate packin	5,354,846	71,945	6,248,505	40,313
090240	Black tea (fermented) and partly fermented tea, nes	1,103,553	187,820	1,259,997	203,997
100110	Durum wheat	211,490	1,065	215,931	282
100190	Spelt, common wheat and meslin	54,982,994	16,659	16,264,734	2,313
100400	Oats	154,028	1,093	34,740	18,778
100510	Maize seed	8,462,821	171,718	16,388,459	550,033
100590	Maize (excl. seed)	7,852,601	576,556	15,197,013	470,915
100610	Rice in the husk (paddy or rough)	7,334,742	231,895	14,377,175	240,491
100620	Husked (brown) rice	594,805	133,875	570,293	3,322
100630	Semi-milled or wholly milled rice	8,194,212	444,379	11,969,514	865,995
100640	Broken rice	4,239,850	66,202	1,843,444	1,358,716
100700	Grain sorghum	1,179,121	10,040	952,506	10,975
120600	Sunflower seeds	2,266,830	230,072	88,929	37,768
150100	Lard, other pig fat and poultry fat, rendered	30,124	150	44,304	77
151211	Crude sunflower-seed and safflower oil	10,110,406	17,395	15,234,838	15,859
151219	Sunflower-seed and safflower oil (excl. crude) **and fractions**	22,975,001	**23**,368,343	36,539,113	32,701,865
151221	Crude cotton-seed oil and fractions	10,636	42,671 -	-	
151229	Cotton-seed oil (excl. crude) and fractions	623,298	126,051	250,869	65,626
160231	Preparations of turkey meat	338,128	0	325,493	0
	TOTAL	**185,406,435**	**32,812,605**	**172,689,799**	**50,704,368**

d)

Period : 1999 AND 2000

Partner(s) : National World

Nomenclature : National

List : AGRIC. PRODUCTS Lis

Ranking on Commodity		Imports (Emalang)	TOT Exports (Emalang)	Imports -2000	TOT Exports -2000
010511	Live fowls of species Gallus domesticus, weighing =<185g (chicks)	14,108,378	6,545,782	16,282,451	15,509,967
010519	Live ducks, geese, turkeys and guinea fowls, weighing =<185g	356,610	715	380,347	19,030
010599	Live ducks, geese, turkeys and guinea fowls, weighing >185g	966,299	25,051	1,423,055	46,879
020110	Fresh or chilled bovine carcasses and half carcasses	802,427	3,282,826	602,580	5,350,404
020120	Fresh or chilled unboned bovine meat (excl. carcasses)	359,322	1,688,181	1,055,164	9,522,303
020130	Fresh or chilled boneless bovine meat	304,563	8,962,116	584,912	29,749,045
020210	Frozen bovine carcasses and half carcasses	6,049,071	257,524	1,955,549	74,496
020220	Frozen unboned bovine meat (excl. carcasses)	636,413	169,744	1,074,617	273,062
020230	Frozen boneless bovine meat	1,202,040	481,030	826,192	5,175,627
020410	Fresh or chilled lamb carcasses and half carcasses	366,494	4,957	117,453	8,864
020421	Fresh or chilled sheep carcasses and half carcasses **(excl. lamb)**	558,989	9,353	52,794	34,868
020422	Fresh or chilled unboned meat of sheep	90,647	7,758	200,234	11,434
020423	Fresh or chilled boneless meat of sheep	112,062	577	50,744	616
020430	Frozen lamb carcasses and half carcasses	164,102	0	483	160
020441	Frozen sheep carcasses and half carcasses **(excl.lamb)**	109,904	835	127,098	22,331
020442	Frozen unboned meat of sheep	341,866	4,734	203,811	0
020443	Frozen boneless meat of sheep	655	0	117,149	0
020450	Fresh, chilled or frozen goat meat	-	-	1,463	0
020900	Pig and poultry fat, fresh, chilled, frozen, **salted... or smoked**	42,792	0	104,624	600
090111	Coffee, not roasted or decaffeinated	460,595	7,488	639,373	106,858
090112	Decaffeinated coffee, not roasted	963,633	5,403	1,101,517	996
090121	Roasted coffee, not decaffeinated	1,110,030	2,064	1,638,197	151,840
090122	Roasted, decaffeinated coffee	2,657,883	33,125	1,997,097	297,922

090210	Green tea in immediate packings	906,290	3,568	418,180	51,523
090220	Green tea, nes	1,166,481	1,271	1,668,033	10,488
090230	Black tea (fermented) and partly fermented tea in immediate packin	7,140,615	4,507	7,559,799	44,726
090240	Black tea (fermented) and partly fermented tea, nes	2,139,335	185,069	2,026,613	172,049
100110	Durum wheat	18,539	4,573	2,887	250
100190	Spelt, common wheat and meslin	117,328,530	352	29,909,654	0
100400	Oats	122,817	1,369	203,799	0
100510	Maize seed	18,503,753	158,558	14,533,743	895,238
100590	Maize (excl. seed)	32,005,225	423,624	51,455,883	1,215,667
100610	Rice in the husk (paddy or rough)	6,622,689	132,138	3,768,543	80,198
100620	Husked (brown) rice	321,899	1,907	659,908	3,707
100630	Semi-milled or wholly milled rice	32,335,243	560,185	36,426,685	824,972
100640	Broken rice	1,709,301	1,003,429	1,549,040	669,598
100700	Grain sorghum	1,371,388	6,841	2,832,609	985
120600	Sunflower seeds	5,071	0	162,001	0
150100	Lard, other pig fat and poultry fat, rendered	127,543	1,964	243,371	834
151211	Crude sunflower-seed and safflower oil	7,108,553	398,293	12,145,114	501,015
151219	Sunflower-seed and safflower oil (excl. crude) and fractions	22,961,332	22,838,627	22,419,174	25,245,930
151221	Crude cotton-seed oil and fractions	59,417	10,750	118,372	62,805
151229	Cotton-seed oil (excl. crude) and fractions	1,535,934	11,232	743,502	1,572
160231	Preparations of turkey meat	177,468	0	884,930	0
	TOTAL	**285,432,198**	**47,237,520**	**220,268,744**	**96,138,859**

e)

Period : 2001 AND 2002
Partner(s) : National World
Nomenclature : National
List : AGRIC. PRODUCTS Lis

Ranking on Commodity		Imports (Emalang)	TOT Exports (Emalang)	Imports -2002	TOT Exports -2002
010511	Live fowls of species Gallus domesticus, weighing =<185g (chicks)	25,655,833	11,261,984	26,790,154	8,986,927
010519	Live ducks, geese, turkeys and guinea fowls, weighing =<185g	164,369	32,911	391,127	4,150
010599	Live ducks, geese, turkeys and guinea fowls, weighing >185g	2,325,303	3,237	3,872,734	940
020110	Fresh or chilled bovine carcasses and half carcasses	4,805,223	30,780	18,138,759	35,150
020120	Fresh or chilled unboned bovine meat (excl. carcasses)	11,692,006	2,319,626	4,475,018	3,981,354
020130	Fresh or chilled boneless bovine meat	1,987,892	2,282,835	1,122,608	19,284,260
020210	Frozen bovine carcasses and half carcasses	58,533,766	306,953	78,106,289	159,917
020220	Frozen unboned bovine meat (excl. carcasses)	1,555,391	62,546	609,783	156
020230	Frozen boneless bovine meat	2,096,710	367,406	3,651,704	16,745
020410	Fresh or chilled lamb carcasses and half carcasses	3,594,302	138,452	1,623,993	35,591
020421	Fresh or chilled sheep carcasses and half carcasses **(excl. lamb)**	857,705	16,677	373,454	70,170
020422	Fresh or chilled unboned meat of sheep	106,159	26,750	307,628	121,981
020423	Fresh or chilled boneless meat of sheep	15,150	0	1,756	0
020430	Frozen lamb carcasses and half carcasses	275,961	0	1,120	0
020441	Frozen sheep carcasses and half carcasses **(excl.lamb)**	31,894	25,224	50,993	2,000
020442	Frozen unboned meat of sheep	277,775	2,976	14,113	0
020450	Fresh, chilled or frozen goat meat	110,396	0	943,036	0
020900	Pig and poultry fat, fresh, chilled, frozen, **salted... or smoked**	97,209	0	1,129,187	0
090111	Coffee, not roasted or decaffeinated	517,557	287,402	704,433	12,382
090112	Decaffeinated coffee, not roasted	481,647	19,500	1,153,431	120
090121	Roasted coffee, not decaffeinated	2,023,337	5,049,954	2,455,001	5,069,820
090122	Roasted, decaffeinated coffee	2,396,461	302,568	3,352,885	66,974
090210	Green tea in immediate packings	344,835	37,761	642,568	16,123

090220	Green tea, nes	1,348,807	210,290	1,337,245	67,651
090230	Black tea (fermented) and partly fermented tea in immediate packin	9,443,507	108,825	10,676,898	89,544
090240	Black tea (fermented) and partly fermented tea, nes	3,086,931	4,454,358	2,847,531	4,135,879
100110	Durum wheat	68,400	1,500	1,294,235	2,842
100190	Spelt, common wheat and meslin	33,137,076	600	122,202,153	42,992
100400	Oats	287,262	2,320	71,376	21,909
100510	Maize seed	22,027,001	910,051	26,888,099	641,435
100590	Maize (excl. seed)	107,346,364	637,780	128,862,322	2,579,153
100610	Rice in the husk (paddy or rough)	4,483,891	126,367	4,591,267	107,355
100620	Husked (brown) rice	419,092	21,877	24,484	90,462
100630	Semi-milled or wholly milled rice	39,883,118	963,962	53,896,626	2,023,677
100640	Broken rice	775,485	230,788	1,495,052	186,685
100700	Grain sorghum	1,158,210	38,348	339,902	2,167
120600	Sunflower seeds	50,811	239,114	140,148	90
150100	Lard, other pig fat and poultry fat, rendered	133,286	6,963	214,076	1,429
151211	Crude sunflower-seed and safflower oil	26,693,349	444,097	22,035,632	4,990
151219	Sunflower-seed and safflower oil (excl. crude) **and fractions**	29,043,237	34,440,948	39,631,646	28,228,878
151221	Crude cotton-seed oil and fractions	36,606	0	114,134	66,245
151229	Cotton-seed oil (excl. crude) and fractions	4,210,378	0	1,942,383	19,649
160231	Preparations of turkey meat	2,065,465	0	1,630,444	0
160239	Other	-		9,691,443	92,625
	TOTAL	**405,645,157**	**65,413,730**	**579,838,870**	**76,270,417**