Exploring Growth Linkages and Market Opportunities for Agriculture in Southern Africa

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Abstract

The heterogeneity of southern African countries offers the region a unique opportunity to exploit agricultural potential and trade opportunities through regional integration. We analyze the implications of such opportunities using a regional general equilibrium model. We find that growth in South Africa benefits the region’s low-income countries through increased demand for their agricultural exports, higher prices that stimulate production for domestic markets, and slower decline of prices from increased production. Agricultural productivity growth, however, is necessary for low-income countries to take advantage of South Africa’s growth. The largest benefits for low-income countries result from rising productivity of grain and livestock production.

- **JEL classification:** C68, D58, F11, F15, O33, O55, Q17, Q18
- **Keywords:** Agriculture, Applied General Equilibrium, Growth Linkages, Productivity, Regional Integration, Southern Africa, Trade

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I. Introduction

Strengthening regional economic linkages that offer mutual benefits across countries is an important part of development strategies leading to economic growth and poverty reduction in Sub-Saharan Africa. Regionalism, in fact, has received increasing attention as a result of growing fears in Africa and in the international community of African marginalization in the global economy. As a result, several regional initiatives have been developed across the continent. In the case of southern Africa, there is a remarkable degree of consensus that regionalism is not only desirable but necessary (Gibb, 2001). For this reason, the creation of regional institutional frameworks and programs has been central to cooperation efforts in southern Africa and resulted in regional schemes such as the Common Market for Eastern and Southern Africa (COMESA), the Southern Africa Development Community (SADC), and the Southern Africa Custom Union (SACU).

A distinctive characteristic of southern Africa is the dominant presence of South Africa, a presence that goes beyond a mere geographic sense. South Africa has been part of a regional economy characterized by profound economic and political ties that go back to colonial times, linking most of the neighboring states and with a significant degree of economic integration. According to Nyirabu (2004) “…South Africa’s involvement in the regional economy whether as a recipient of migrant labor from countries as far as Tanzania, as a provider of transport services, or as an exporter of manufactured goods has historically been of sizeable significance both to South Africa and to most of it neighboring countries.” The size of South Africa’s economy and the economic and political linkages between countries in the region are among the main arguments supporting the view that joint development of regional resources and infrastructure can make a great potential contribution to economic growth and development both in South Africa and the rest of SADC.

However, critics of regional integration in southern Africa have raised voices against this process fearing that integration will be built upon South Africa, as the region’s single dominant economy. These critics assert that potential economic benefits of regionalism in southern Africa are often exaggerated and contend that the lack of complementarity between integrating states is one of the principal reasons behind the limited potential for regionalism (see Gibb (2001), and Radelet, (1997)). These conflicting views of the possible impact of regional integration in southern Africa rise questions about the actual opportunities and challenges that