COMESA-SADC-EAC TRIPARTITE FREE TRADE AREA: IMPLICATIONS FOR ZIMBABWE

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Submitted by

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LIST OF ACRONYMS

AFSEC	African Electro-technical Standardization Commission
AGOA	African Growth and Opportunity Act
AMU	African Monetary Union
APEC	Asia-Pacific Economic Cooperation
ARSO	African Organization for Standardization
ASEAN	Association of Southeast Asian Nations
AU	African Union
AUC	African Union Commission
CCCM	Caribbean Community and Common Market
CD1	Customs Declaration form number 1
CEMAC	Central African Economic and Monetary Community
CENSAD	Community of Sahel-Saharan States
CET	Common External Tariff
CM	Common Market
CODEX	Codex Alimentarius – International Food Standards
COMESA	Common Market for Eastern and Southern Africa
COMSTAT	COMESA Statistics
COOL	Country of Origin Labelling
CPC	Customs Procedure Code
CTH	Change of Tariff Heading
CTN	COMESA Tariff Nomenclature
CU	Customs Union
CZI	Confederation of Zimbabwe Industries
DST	Double Stage Transformation
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EEA	European Economic Area
EMEA	Euro-Mediterranean Economic Area
ESA-EU EPA	Eastern and Southern Africa-European Union Economic Partnership Agreement
EU	European Union
FTA	Free Trade Area
GATT	General Agreement on Trade and Tariffs
GMO	Genetically Modified Organism
HS	Harmonized System
IDP	Industrial Development Policy
IEPA	Interim Economic Partnership Agreement
IGAD	Intergovernmental Authority on Development
ITC	International Trade Centre
LAFTA	Latin America Free Trade Area
MERCOSUR	Common Market of the South
MFN	Most Favored Nation

MZA	Mozambique
NAFTA	North American Free Trade Agreement
NTB	Non-Trade Barriers
OGIL	Open General Import License
OIE	World Organisation for Animal Health
PFTA	Preferential Free Trade Area
PU	Political Union
RBZ	Reserve Bank of Zimbabwe
REC	Regional Economic Communities
RoO	Rules of Origin
ROW	Rest of the World
RSA	Republic of South Africa
RTA	Regional Trade Agreement
SACU	Southern African Customs Union
SADC	Southern African Development Community
UEMOWA	Economic and Monetary Union of West Africa
SADCC	Southern Africa Development Coordination Conference
SAZ	Standard Association of Zimbabwe
SIA	Special Initial Allowance
SP	Specific Process
SPS	Sanitary and Phytosanitary measures
SQAM	Standard, Quality, Accreditation and Metrology
STR	Simplified Trade Regime
TAG	Trade Associates Group
TBT	Technical Barriers to Trade
TDCA	Trade, Development and Cooperation Agreement
TFTA	Tripartite Free Trading Area
TNF	Trade Negotiating Forum
ToR	Terms of Reference
TRIST	Tariff Reform Impact Simulation Tool
TTB	Temporary Trade Barriers
TTNF	Tripartite Trade Negotiating Forum
UMA	Arab Maghreb Union
UNCOMTRADE	United Nations Commodity Trade
UNECA	United Nations Economic Commission for Africa
VAT	Value Added Tax
VDP	Value for Duty Purposes
VTP	Value for Tax Purposes
WTO	World Trade Organization
ZSA	Zimbabwe Sugar Association
ZEPARU	Zimbabwe Economic Policy Analysis and Research Unit
ZIMRA	Zimbabwe Revenue Authority
ZNCC	Zimbabwe National Chamber of Commerce

EXECUTIVE SUMMARY

Zimbabwe along with 25[2] countries in COMESA, SADC and EAC agreed to roll out a Tripartite Free Trade Area (TFTA) in 2008 with the aim of establishing a larger market and creating a single economic space encompassing the three regional economic communities. In 2011 the Second Tripartite Summit of Heads of State and Government launched negotiations on the Tripartite Free Trade Area (TFTA) and set down the roadmap, negotiating principles, processes, scope and institutional framework for concluding the TFTA. Following the Summit officials have met several times to clarify the negotiating modalities. Specific negotiations and offers on market access continue and are expected to be concluded in the next 12 months.

Zimbabwe is still developing it's substantive negotiating position and it is in this regard that ZEPARU in collaboration with the Ministry of Industry and Commerce carried out this study in order to provide an analytical background and evidence based analysis to inform Zimbabwe's negotiating strategy. This report provides an analysis and evaluation of the impact of the TFTA on Zimbabwe. Adjustment impacts of a trade reform occur in a number of areas including customs, domestic production, employment, and prices of goods and how these affect household expenditure especially for the poor. An analysis of the impact of a trade reform is imperative as it assists government in formulating better trade reform strategies as well as implementing policies geared towards reducing the impact of the reform.

The study examined the sectors that are likely to be impacted most by the TFTA. It also identified areas that require stakeholder awareness, assistance and capacity building during the transition period to allow the country to put in place a sustainable TFTA. The paper also looked at the challenges Zimbabwe is likely to face in the negotiations.

The methods of analyses used include both quantitative and qualitative techniques. The study benefited a lot from interviews with the diverse stakeholders. The Tariff Reform Impact Simulation Tool (TRIST) model developed by the World Bank was also used to measure the short term quantitative impact of trade liberalisation on revenue losses and imports to Zimbabwe if it joins the TFTA arrangement using the 2011 import data obtained from Zimbabwe Revenue Authority (ZIMRA). In that year Zimbabwe only traded with 21 of the 25 TFTA countries. Furthermore, the country collected trade tax revenues in the form of excise duty which constituted 30.5% of total trade taxes, customs duties constituting 23.4%, and VAT and Surtax which constituted 45.7% and 0.3% respectively. A literature review was undertaken to understand the theoretical underpinnings of regional integration, overview of regional integration in Eastern and Southern Africa and Zimbabwe's trade flows with its trading partners in this region.

[2] Angola, Botswana, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Lesotho, Libya, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Sudan, Swaziland, Tanzania, Uganda and Zambia

The TFTA countries agreed on a set of principles for negotiation, one of which is the *Acquis* Principle. On this principle, countries agreed to start negotiating building on their existing commitments within the RECs. This effectively means that Zimbabwe will negotiate its market access offers with countries that are member states to COMESA, EAC and SADC but have not implemented the FTAs. This implies that Zimbabwe will negotiate with Angola, DRC, Eritrea and Ethiopia. Zimbabwe which is a member of both SADC and COMESA has minimal trade with these four countries. It is fully implementing its market access offer to COMESA member states i.e. granting 0% duties to all qualifying products. Under SADC, Zimbabwe is still implementing a tariff schedule it reached in 2008. However, the country has reversed some of its commitments on a number of lines. Some tariffs that had reached zero duties were reversed. Further, in January 2012 Zimbabwe introduced 25% surtax on selected products. Furthermore, it requested and received two-year derogation on reducing tariffs for sensitive products through to 2014. Zimbabwe has requested an extension of the derogation.

Theoretically there are potential benefits and costs of regional integration through trade creation and trade diversion. Trade is created among member states when cheaper products substitute for the more expensive locally produced goods. However trade diversion occurs when intra-bloc imports are substituted for imports from the rest of the world once they benefit from tariff preferences and become cheaper relative to tariff inclusive imports from outside the regional trading group. Rules of origin are required to prevent trade deflection where goods are simply imported through the FTA member with the lowest external tariff.

Zimbabwe had a negative trade balance with SADC between 2007 and 2011 and its top 10 imports are manufactured goods while its top 10 exports are primary commodities. It had a positive trade balance with COMESA countries between 2007 and 2008 but later had an import spike between 2009 and 2011. Such trade flows effectively mean that Zimbabwe was a net importer in the TFTA region between 2007 and 2011.

Three scenarios were simulated using the Tariff Reform Impact Simulation Tool (TRIST) model. Zimbabwe's regional trade policy commitments within SADC and COMESA in year 2011, were used as the basis to assess the potential impact of the TFTA trade reform on Zimbabwe's imports and revenue. To assess the potential impact of the TFTA on Zimbabwe, in the first scenario, simulations were run for full liberalization on the following country groups; COMESA FTA, SADC FTA (excluding RSA) and RSA only. Under this scenario, a full COMESA FTA could potentially yield minimal revenue losses for Zimbabwe given that by 2011 the country had liberalized most of its tariff lines to COMESA member states. Similarly the country would register minimal impact on revenue losses and import increases under SADC excluding the RSA. However, when tariffs are removed against South Africa there would be a significant fall in tariff revenue from US $ 164 million to about US $ 82 million, accounting for about 52% fall in tariff revenue.

In scenario 2, petroleum products were deliberately eliminated, in order to analyze by how much revenue impacts can be minimized through charging excise duties on these products, given that they accounted for a significant proportion of about US $ 1 billion (16.9%) of the country's total import bill in 2011. Results of scenario 2 were not very different from those in

scenario 1 possibly because petroleum is largely levied excise duty in Zimbabwe, hence removing it from the data set could not make any significant impact on the customs revenue

Scenario 3 assumed that Zimbabwe will implement a full FTA with the four countries; Angola, DRC, Ethiopia and Eritrea. In 2011, Zimbabwe only traded with DRC and Ethiopia. Results showed that Zimbabwe would have lost only US$10, 907 in revenue while it would have experienced a US$4,846 increase in imports had the TFTA with these countries been implemented in 2011. A key finding from the study reveals that removing tariffs on goods from on the four countries with which Zimbabwe will engage in TFTA negotiations on market access with have a minimal impact on revenue.

The TRIST model results revealed that the leather sector is likely to experience the greatest reduction in levels of protection due to TFTA establishment.

The results of the three scenarios show that Zimbabwe's market access interests in the TFTA are quite limited as trade with the potential negotiating partners is very small and some member states like Angola have indicated that they will not be joining the TFTA in the near term. Risk of import competition is expected to be low if Zimbabwe joins the TFTA as the import volumes from the four countries are very low. Imports from Angola, DRC, Eritrea and Ethiopia only constituted 0.1% of Zimbabwe's total imports from the world between 2008 and 2014.

Zimbabwe is likely to face limited revenue losses. However Zimbabwe is likely to face stiffer competition from TFTA countries in the South African (and SACU) market through the erosion of the SADC preferences as South Africa opens up to the non SADC members of the TFTA – primarily the EAC and Egypt. There is therefore potential risk of export displacement with the advent of the TFTA whether Zimbabwe participates or not, maintaining the SADC rules of origin under the TFTA may be expected to mute the impact of any proposed tariff reductions by South Africa. Zimbabwe may also experience increased competition for its exports in the EAC, Egyptian and other non SADC TFTA markets if COMESA/EAC preferences and the Rules of Origin are extended to South Africa. South Africa finds Kenya in the EAC and Egypt as key markets of interest under the TFTA. The country has been very influential in the TFTA negotiations with a special focus on the negotiation guidelines and clarification of issues and concepts e.g. the definition of the *Acquis* which eventually diverted the TFTA's focus from the original idea of resolving overlapping memberships and introduction of the new generation FTA. A potential threat may come from the EAC whose exports to South Africa are growing given that the latter is Zimbabwe's key trading partner. Zimbabwe has a very small market share in both EAC and Egyptian markets. There is potential threat there because while COMESA exports to these markets are growing Zimbabwe has been unable to increase its share even with the existing preferences. This is happening now and implies that Zimbabwe is losing market share before the TFTA. The problem is really one of Zimbabwe declining competitiveness in these markets.

Zimbabwe's trade interest in the TFTA is quite limited as its exports to the 4 countries with which it will negotiate the TFTA were only 0.79% of its total exports to the world between 2008 and 2012. Export potential to Angola is limited by the fact that Angola already expressed in the 9th TTNF meeting in January 2014 that it had not prepared a tariff offer and will not

prepare one for the TFTA while conditions for accession to the SADC FTA remain under preparation. The country cited technical constraints in the tariff offer preparations.

The country's exporters face incessant NTBs, cumbersome border procedures when they move their goods to the region. Trade, particularly in SADC is very costly due to the NTBs. Elimination of NTBs is likely to yield substantial gains through increased trade. Further, implementation of the SADC trade protocol has been very slow as some Member States have not fully implemented their FTA commitments coupled with the complex rules of origin that have all generated little new intra-regional trade as compared to other regional arrangements globally.

Exporters face even greater challenges in the domestic market. This emerged from the interviews with private sector players from the leather, clothing and textiles, electrical equipment and sugar industries. These include liquidity challenges, high import tariffs on raw materials, increased costs of wages, inconsistent utility suppliers (water and electricity), logistical issues given the unreliable railway system, stiff competition from cheap imports; porous borders and shortages of raw materials among other factors.

Challenging policy environment coupled with institutional rigidities as well as high cost drivers such as power, telecommunication, water, trade and corporate taxes and transport logistical issues continue to be a challenge in Zimbabwe. Its policies need to be reformed in order to deal not only with the very high cost of doing business but with the rampant corruption that is a big tax to the exporters. The country needs to deal with supply side constraints such as investment in key enablers such as energy, water and infrastructure. Further, medium to long term lines of credit, and or additional investment are required to enable industry to modernize outdated machinery and equipment. These critical challenges call for Zimbabwe to focus on competitiveness issues and not just trade.

Zimbabwe is likely to face challenges related to the choices of industries to open up given the industrial challenges the country is facing. Getting offers from DRC and Angola may not be that easy given that these trading partners are not keen to join the TFTA. DRC offers huge potential markets for Zimbabwe but incessant non-tariff barriers and corruption may hinder accessibility to this market. Zimbabwe would require huge financial and technical capacity to successfully negotiate for its interests in the TFTA. Limited consultations as in the past may undermine the interests of exporters. Zimbabwe does not have policies on some of the non-tariff measures e.g. Standards and SPS among others, hence the country may not have enough basis for negotiations on these issues. The country is likely to face a shortage of capacity to investigate technical issues prior to the negotiation and these also include issues such as trade remedies. While there may be no challenge of language during TFTA negotiations with Angola, DRC given the interpretation services, this is however more problematic when implementing the FTA when traders are exploring the markets.

The TFTA negotiations present an opportunity for Zimbabwe and all the TFTA members to increase the coordination and harmonization across a wide range of trade policies including:

customs procedures, standards, Sanitary and Phytosanitary Measures (SPS), Intellectual Property Rights (IPR), competition policies, and trade facilitation.

Recommendations proffered by this study include the need for Zimbabwe to fully utilize its existing trade regimes to which it is a member so as to exploit benefits of regional integration. The 2011 import data revealed that 87% of Zimbabwe's imports entered the country under the MFN rates most of which were higher than those granted under SADC and COMESA. Zimbabwe can proceed with TFTA as the anticipated market access impacts were found to be very minimal. Zimbabwe has too many trade tax exemptions some of which are not justified on the need to foster a competitive strategy for the country. In 2011it registered a 30% net loss in total trade revenue. The country therefore needs to cut on its trade tax exemptions.

The country needs to boost its industrial growth and export competitiveness through value addition, resolving many institutional and policy rigidities if the country is to counter the potential threat of export displacement in regional markets as a result of the TFTA. Zimbabwe needs to pursue with keen interest the negotiations on non-tariff measures (NTMs) (eg rules of origin, trade remedies, SPS, trade facilitation and non-tariff barriers) and deal with capacity constraints in these areas if it is to maximise benefits of the increased markets in the TFTA. It needs to negotiate for the sugar protocol, simplified rules of origin and a simplified trade regime under the TFTA.

1. INTRODUCTION

1.1 The background and purpose of the assignment

Zimbabwe is a signatory to various trade arrangements and is one of the twenty-six countries negotiating a Tripartite Free Trade Area (TFTA) covering the COMESA, SADC and EAC regional economic communities (RECs). The need for a careful analysis of adjustment impacts is important as Zimbabwe seeks to use trade to raise incomes and deliver economic growth. Such adjustment occur in a number of areas and an immediate one is the impact of a trade reform on customs revenue given that it is a key source of the government revenue as the country's tax base is increasingly shrinking. Trade reform affects prices and an analysis of how this impacts households, especially the poor is very critical. An analysis of the impact of a trade reform is imperative as it assists government in formulating better trade reform strategies as well as implementing policies geared towards reducing the impact of the reform.

The country is currently facing difficulties in eliminating tariffs due to serious revenue constraints, difficulties experienced by heavily protected domestic producers, and a growing deficit on merchandise trade that is not balanced by capital inflows. It is not well prepared for negotiations due to lack of capacity to carry researches to inform the negotiations. While TFTA negotiations are on-going, this study aims to inform the crafting of the country's negotiating position in the forthcoming COMESA-SADC-EAC TFTA. Zimbabwe's National Trade Policy aims to create a diversified and competitive industry both regionally and internationally. The purpose of the study is to undertake both quantitative and qualitative analyses to identify trade positions that address the objectives of the National Trade Policy. Further, the study sought to investigate the revenue changes, impact on existing industries, consumer prices (important for poverty), and incentives for new investment.

Above all, the study focused on analyzing beyond the market access issues that include non-tariff measures such as trade remedies, SPS measures, rules of origin, technical barriers to trade and trade facilitation. An analysis of capacity needs of both the private sector and government was done in the context of an effective implementation of the TFTA.

1.2 Objectives of the Study

The major objective of the study was to provide analytical background needed to assist the Government in formulating a strategy for negotiations as Zimbabwe does not have a substantive negotiating position on the TFTA at the moment. The study was to establish whether the country should negotiate under SADC, COMESA, or form alliances with like-minded Member States.

As spelt out in the Terms of Reference, specific objectives of the study were to:

a) Analyse the expected magnitude of the impacts of joining the TFTA, using both qualitative and quantitative techniques. The study should include sectors and target

groups that are likely to be significantly affected by the establishment of the TFTA, and the forward-looking effects of the TFTA on prospects for industrial development to foster more rapid, sustainable and equitable growth.

b) Clearly define the options to be considered and provide a clear analysis of the mechanisms through which the different options will affect economic and social areas.

c) Identify other effective measures or adjustments that will be used in addressing any adverse impacts of liberalisation, and promoting positive impacts.

d) Identify areas where the country is likely to need stakeholder awareness, assistance and capacity building during the transition period to allow the country to put in place a sustainable TFTA.

The research team was expected to undertake the following activities:

a) Evaluate Zimbabwe's commitments under SADC and COMESA viz-a-viz implementation so as to develop a gap and needs assessment that will inform the development of a national negotiating position in the TFTA.

b) Identify challenges the country is and will be facing during the TFTA negotiations.

c) Identify and quantify the expected benefits of joining the TFTA, including effects on consumers as well as producers.

d) Identify the sectors and target groups that are likely to be significantly affected by the establishment of the TFTA.

e) Analyse the expected positive and negative impacts of joining the TFTA, and the expected magnitude of these impacts, using appropriate measures and indicators or assessment of impacts, and making use of both qualitative and quantitative techniques as appropriate. (It is recognized that the quantitative analysis will be subject to constraints imposed by the availability and quality of data, and the absence of an up-to-date general equilibrium model for Zimbabwe.)

f) Identify potential win-win situations and opportunities for the country in the negotiations.

g) Define the options to be considered and analysis of the mechanisms through which the different options will affect economic and social issues, including issues of poverty, employment, gender and the environment.

h) Identify other effective measures or adjustments that will be used in addressing any adverse impacts of liberalisation, and to promote positive impacts.

i) Provide effective mechanisms of assessment and monitoring of negotiations of the TFTA.

Identify areas where the country is likely to need stakeholder awareness, assistance and capacity building during the transition period to put in place a sustainable TFTA.

1.3 The structure of execution of the assignment

ZEPARU carried out the fieldwork and data collection from September to December 2013 and finalized the report during the first half of 2014. The execution was divided into two main phases which mirror the main outcomes expected as per the Terms of Reference (ToR). Both quantitative and qualitative techniques were applied to inform the study findings. The study team developed an indicative outline for the study of the impact of the TFTA. It identified data requirements and obtained the data from various sources including the ZIMRA, COMESA Secretariat, UNCOMTRADE and ITC Trade Map among other relevant sources. The team carried out a rigorous exercise of data cleaning and formatting before aggregating it using the Tariff Reform Impact Simulation Tool (TRIST) Data Aggregation tool developed by the World Bank[3]. The data was thereafter imported into the TRIST Simulation tool and several scenarios were run. In addition to a reference group meeting with study stakeholders, the study team was informed by a series of interviews it held with the government stakeholders and private players.

1.4 Potential Costs and Benefits of Regional Trade Agreements: Motivation for Deeper Integration

Regional trade agreements have become a critical tool for trade policy for virtually all the member states of the World Trade Organisation (WTO), with many belonging to more than one arrangement. Of note in recent years, is the proliferation of these arrangements and increased share of the world trade is actually taking place through the regional arrangements. Regional trade agreements are believed to be a channel through which developing countries of the world can be integrated into the world economy given a meager share of their contribution to the global trade. These agreements also act as a stepping stone to increased integration within the global economy. Developing countries have also embraced the option of trade liberalization through regional trade arrangements as a means to foster their countries' economic growth and poverty reduction. Schiff and Winters (1998) argue that the need for regional integration has been reinforced by the effects of globalization. Countries are also motivated to enter into regional trade agreements to bind themselves to better policies thereby attracting foreign direct investment, obtaining more secure access to major markets, enhancing security and democracy amongst member states, deepening integration, and fostering growth and development for their economies.

[3] https://docs.google.com/file/d/0BykW2r6Tr2CJa3dhRlUwR2FwTWs/edit

One intended effect of a regional trade agreement (RTA) is, through the reduction and removal of tariffs, it enables more efficient producers in a region to expand production (and reap economies of scale and scope) to the advantage of consumers and the detriment of less competitive producers (Keane *et al*, 2010). Market access conditions are not only determined by tariffs but rules of origin, customs procedures and other domestic policies such as standards (Chauffour and Maur , 2011). Rules of origin are at the core of regional integration as they set the eligibility of products to enjoy the preferential access. They basically prevent trade deflection but can in themselves become a non-tariff barrier if they are restrictive and prevent market access. Restrictive rules of origin have the effect of increasing the production and administrative costs to the country that is to conform to the rules of origin hence reducing the competitiveness of the traded goods thereof. Complex rules of origin increase the burden of customs procedures and may compromise progress on trade facilitation. They therefore need to be simplified, consistent and predictable in order to foster growth of trade and development.

Standards provisions in regional integration agreements can have welfare enhancing effects as they promote regulatory goals including environmental protection, consumer safety, and animal health. However, they may also impede trade if the compliance costs are high and countries require imports to be retested. Indeed technical barriers to trade and sanitary and phytosanitary measures are frequently cited as the major Non-Tariff Barriers (NTB).

Regional integration agreements have welfare implications on both producers and consumers through what is known as trade creation and trade diversion as postulated by Viner (1950)[4]. Trade is created when cheaper products from other member states are allowed to substitute for more expensive domestic production. In other words, this result in consumer welfare gain as consumers can now buy goods at cheaper prices hence an increase in their real income. On the other hand trade is diverted by substituting intra-bloc imports for imports from outside the group that were cheaper when both faced equal tariffs (Schiff and Winters, 2003). Thus, there is welfare loss when trade is diverted as consumers will be buying more expensive goods from less efficient and high cost producers, further the government will experience a reduction in tariff revenue. The concept of trade creation and trade diversion as developed by Jacob Viner however, relate to world welfare. In the case of an individual country trade diversion may mean the price of the goods go down so the consumer within the importing country benefit but the government would not collect any tariff revenue on the imports from the FTA member whereas previously they collected duties on all imports.

Kemal (2004) argues that there are also dynamic effects of regional integration where regional grouping results in specialization in accordance with comparative advantage and the scale economies would result in reduction in costs of production and that is welfare improving. World Bank (2000) highlights that membership in a regional integration agreement has implications on a member country's whole economy with some sectors facing opportunities while others contract. Such changes are caused by competition and scale effects as well as trade and location effects. As national markets become more integrated, producers enjoy economies of scale and are exposed to more competition as monopoly tendencies in the member states are eroded. This competition stimulates production efficiencies at the industry levels

[4] http://www.academia.edu/4845633/Perspectives_of_Regional_Integration_in_the_East_African_Community

1.5 Stakeholders in the TFTA study

The following were identified as key stakeholders to the study: government ministries, private sector; especially the business associations and those actively involved in exports, academia and development partners (See Annex 3 for some of the stakeholders).

1.6 Structure of the report

This paper provides an analysis and evaluation of the impact of the TFTA on Zimbabwe. Section 2 discusses the background to the COMESA-SADC-EAC TFTA agreement outlining status of regional integration within the three regional economic communities. The section also presents Zimbabwe's commitments in SADC and COMESA and its trade flows to the TFTA countries. It further outlines the negotiating strategies and principles of the TFTA Members States and their implications on Zimbabwe. Section 3 presents the tools that were used to assess and quantify the impact of the TFTA to the economy of Zimbabwe using the country's 2011 import data. Section 4 provides a descriptive analysis of the data used for analysis in the study, highlights Zimbabwe's tax regime in 2011, the composition of the trade taxes in that year, and the country's tariff structure. The section also presents the TRIST model results and interpretation and highlights what the TFTA means for Zimbabwe. Section 5 discusses Zimbabwe's negotiating position on non-tariff measures like the rules of origin, trade remedies and trade facilitation under the TFTA. Section 6 concludes and provides policy recommendations.

2. BACKGROUND TO THE COMESA-SADC-EAC TRIPARTITE FREE TRADE AREA (TFTA)

The following sections highlight the status of regional integration in COMESA, SADC and EAC regional economic communities as well as the background to the TFTA.

2.1 The Status of Regional Integration in SADC [5]

The REC was established in 1980 as the Southern Africa Development Coordination Conference (SADCC) and later changed to Southern Africa Development Community in 1992. SADC's vision is to ensure the region's economic well-being, improvement of standards of living and quality of life, freedom and social justice and peace and security of the peoples of Southern Africa. Apart from economic and political integration, SADC also pursues issues of social integration pertaining to gender, health, food security, environment management, and education. Other programmes that are pursued by SADC include infrastructure, Southern Africa Power Pool and agricultural development.

Out of SADC's current membership of fifteen[6] , twelve[7] countries established a FTA in 2008. The SADC Free Trade Area (FTA) is a step along the path towards deeper regional integration which is the key to strategies and objectives of SADC.

An important trade and regional development related instrument for implementing SADC programmes, which is the Regional Indicative Strategic Development Plan sets ambitious targets for regional integration within SADC. For instance, 2010 was set for launching a Customs Union however this was surpassed due to non-full implementation of programmes and policies. Completion of negotiations for the Common Market and Monetary Union and Central Bank are set for 2016, while launch of Regional Currency is set for 2018.

2.2 Status of Regional Integration in COMESA[8]

COMESA was initially established in 1981 as the Preferential Trade Area for Eastern and Southern Africa (PTA) and this was transformed into COMESA in 1994.

Currently COMESA membership stands at nineteen[9], fourteen of which are participating in the Free Trade Area (FTA) which was launched in October 2000. Non-FTA member states

[5] www.sadc.int.
Information gathered from SADC Official documents

[6] Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Madagascar, Namibia, Swaziland, South Africa, Tanzania, Zambia and Zimbabwe. DRC, and Seychelles

[7] Botswana, Lesotho, Malawi, Mauritius, Mozambique, Madagascar, Namibia, Swaziland, South Africa, Tanzania, Zambia and Zimbabwe

[8] www.comesa.int. COMESA official reports

[9] Burundi, Egypt, Eritrea, Ethiopia, DRC, Kenya, Libya, Malawi, Mauritius, Mozambique, Madagascar, Namibia, Swaziland, South Africa, Rwanda, Tanzania, Zambia, Zimbabwe and Uganda

(Eritrea, Ethiopia, Uganda and DRC) are currently trading duty free, subject to compliance with COMESA Rules of Origin. There are no sensitive or exclusion lists. Non –FTA countries in COMESA include: Eritrea, Ethiopia, Uganda and DRC[10].

COMESA launched its Customs Union in June 2009 and implementation of the Customs Union had been set for June 2012. However, this target could not be realized, since there remains outstanding work, relating to domestication by Member States of the COMESA Tariff Nomenclature (CTN), CET rates and submission by Member States of lists of sensitive and excluded products.

The REC aims to achieve a Monetary Union by 2015 and COMESA Community by 2025.

2.3 The Current State of Play in EAC[11]

The East African Community as founded by Kenya, Tanzania and Uganda was re-launched in 1996 after it had been dissolved in 1977. Its Customs Union was launched in 2005 and membership increased to five in 2007 when Rwanda and Burundi joined. The fully fledged Customs Union effectively came into force in January 2010 when internal tariffs on intra-EAC trade were eliminated. Of the eight[12] Regional Economic Communities (RECs) which are recognized by the African Union, EAC is the one which has so far achieved deeper regional integration. EAC is at the common market stage.

2.4 Zimbabwe's Commitments under SADC

The Southern African Development Community (SADC) Protocol on Trade was implemented in 2000 with the objectives of, inter alia, liberalizing regional trade in goods and services and establishing a Free Trade Area (FTA) in the SADC region (SADC Trade Hub Audit Report, 2011). In implementing the Trade Protocol, each Member State made two tariff phase-down offers namely the i) General[13] and ii) Differentiated[14]Offers. Non-SACU SADC Member States submitted two tariff offers; one applicable to all SADC member states except South Africa (Differentiated Offer) and the other applicable to South Africa (General Offer). SACU on the other hand submitted a single offer applicable to non-SACU members.

Based on the principle of asymmetry, SADC phased down its tariffs on goods which were classified into four categories, (A, B, C and E)[15] depending on the degree of sensitivity of the

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[10] Although Swaziland is part to the FTA it has been receiving derogations since the inception of the COMESA FTA

[11] www.eac.int, EAC official reports

[13] Tariff offer applicable to trade with South Africa only

[14] Tariff offer applicable to the rest of the SADC Member States

[15] Category A- tariff rates were to be reduced to zero upon the Protocol coming into force, during the year 2000;

Category B- tariff reduction over an eight year period(2000-2008);

sectors in terms of revenue generation, employment creation and strategic importance of a sector.

From the date of implementation of the SADC Trade Protocol, Zimbabwe immediately reduced all tariffs of Category A products to zero. The country then gradually reduced tariffs to zero % on revenue sensitive goods in Category B over eight years i.e. 2000 to 2008. The Protocol had a trade liberalisation programme in which 85% of all intra-SADC trade would be duty free by 2008 leaving the remaining 15% of imports that were classified as sensitive products to be fully liberalised by 2012[16]. By 2008, Zimbabwe had complied with the phasing down of tariffs for products in categories A and B, with 87% of those tariff lines for both offers being zero rated. The phasing-down of tariffs for Category C products which was supposed to begin in 2009 was not implemented. The country was supposed to further reduce to zero products in Category C i.e. sensitive products (products sensitive to industrial and agricultural activities) between 2009 and 2012. Noting the challenges being experienced by the economy, Zimbabwe applied for derogation from its obligations from the SADC Trade Protocol for Category C products which was granted in February 2010. The derogation expired in December 2011 and phase down was expected to commence in 2012 up to until 2014. The challenges faced by local industry in 2008 including amongst others i) antiquated technology, ii) lack of lines of credit, iii) low capacity utilization and iv) continued sanctions, had not eased by the beginning of 2012. The country could not therefore meet its obligations under SADC given these challenges. Category E is an exclusion list of goods such as firearms and ammunition to be excluded from the phase down process.

The country's manufacturing sector was in distress as most companies were operating at capacity levels of between 10% and 35% and could therefore not compete with imports from the region. The major markets for Zimbabwe exports within SADC between 2007 and 2011 were South Africa (76.3%), Mozambique (8.4%), Botswana (4.9%) and Zambia (4.6%) respectively.

In January 2012, Zimbabwe introduced a 25% surtax on selected products such as colour televisions, stoves, soap, whole chickens, frozen cuts and offals, milk and cream, yoghurt, fermented milk, butter milk, cheese, bird eggs, potatoes, tomatoes, onions and shallots, among others through the Statutory Instrument 156 of 2011. Section 3 of this statutory instrument however excludes goods traded through bilateral trade agreements that Zimbabwe has with Malawi, Namibia and Botswana. The country also introduced some tax reversals between 2009 and 2011.

Category C- tariffs to go down over twelve years period.

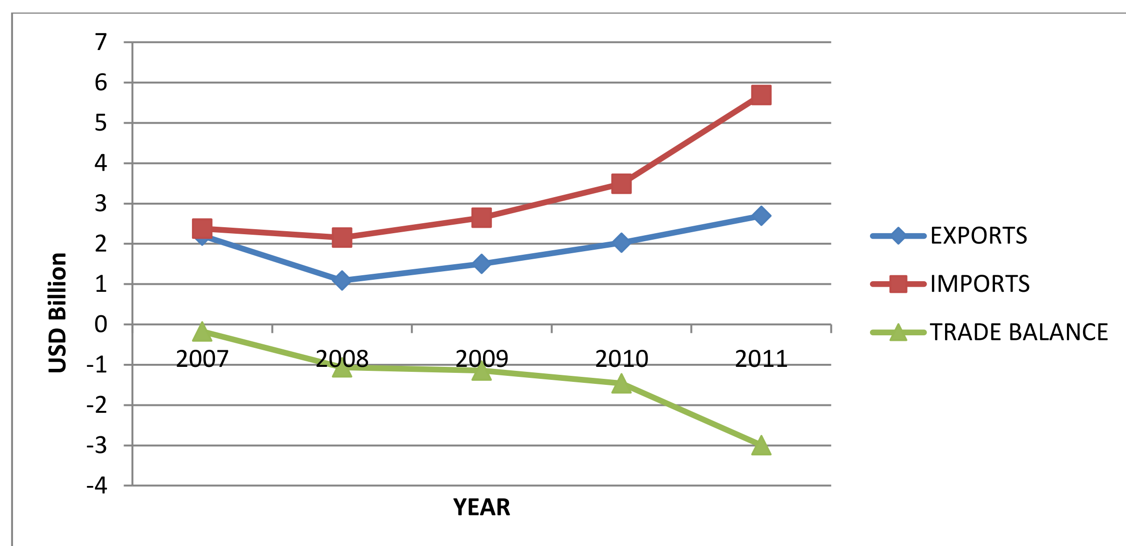
Category E-Exclusion List – Goods such as firearms and ammunition to be excluded from the phase down process.

[16] TMSA Training Module on Tariff Liberalization, page 5

2.4.1 Zimbabwe's Trade with SADC

Zimbabwe's total trade with SADC constitute 67% of its trade with the world. As indicated above, Zimbabwe's total trade value with SADC countries had been on the rise from US$4.5 billion in 2007 to US$8.3 billion.

Figure 1: Zimbabwe's trade with SADC countries



Source: Author's computations from *ITC Trade Map Database*

However, trade balance has been worsening, as depicted by the rising trend of imports over exports during the period 2007-2011. From 2007-2010, imports have been steadily rising, with a sharp rise in 2010 (see Figure 1). However, a sharp decline of exports was recorded during the period 2007-2008 after which a steady increase was recorded.

Table 1: Zimbabwe's Top Ten Export Products to SADC, 2011 Values in US$ Thousands

Product Code.	Product	Value in Millions US$
'75	Nickel and articles thereof	529.4
'71	Pearls, precious stones, metals, coins, etc	442.9
'24	Tobacco and manufactured tobacco substitutes	424.8
'49	Printed books, newspapers, pictures etc	393.2
'26	Ores, slag and ash	355.4
'52	Cotton	173.3
'17	Sugars and sugar confectionery	53.1
'25	Salt, sulphur, earth, stone, plaster, lime and cement	38.4
'27	Mineral fuels, oils, distillation products, etc	29.5
'44	Wood and articles of wood, wood charcoal	25.3

Source: Author's computations from *ITC Trade Map Database*

Table 2: Zimbabwe's Top Ten Imports from SADC, 2011 Values in US$ Thousands

Product Code.	Product	Value in Millions US$
'31	Fertilizers	2,002.5
'27	Mineral fuels, oils, distillation products, etc	377.6
'84	Machinery, nuclear reactors, boilers, etc	368.7
'87	Vehicles other than railway, tramway	314.4
'15	Animal,vegetable fats and oils, cleavage products, etc	219.3
'10	Cereals	202.8
'39	Plastics and articles thereof	149.3
'85	Electrical, electronic equipment	149.1
'75	Nickel and articles thereof	125.6
'72'	Iron and Steel	115.4

Source: Author's computations from *ITC Trade Map Database*

2.5 Zimbabwe's Commitments under COMESA [17]

Zimbabwe is a founding member of COMESA since its formation as a PTA. It is already participating in the COMESA FTA and is already offering 100% COMESA FTA regime to FTA member states.

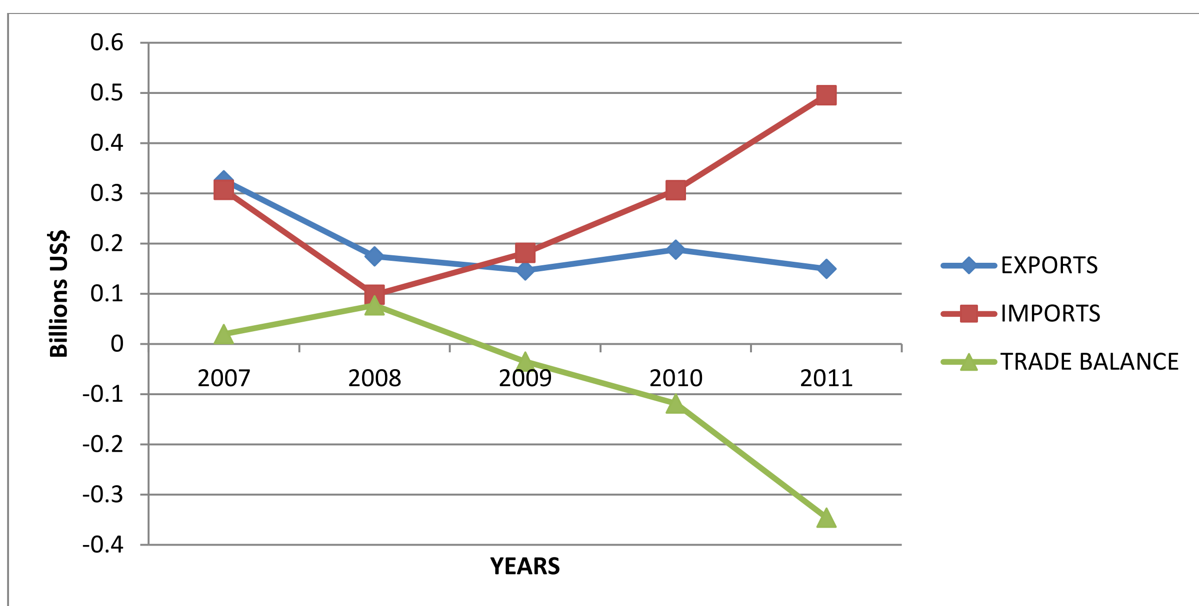
Within COMESA, the main issue is on the consolidation of programmes for the implementation of the Customs Union. For Zimbabwe, work has been on-going and provisional schedules of sensitive products and tariff alignment have been completed. However, the proposal of the 5% tariff band is posing a challenge to the country due to its impacts on revenue and competiveness of locally produced goods. Reduction of tariff rates for raw materials which are at 5% to the 0% would result in revenue loss. Similarly, raising the country's tariff rate for intermediate goods which are at 5% to the proposed 10% CET, might negatively affect the cost of production for the local industry and hence reduces its competitiveness. Zimbabwe's top five COMESA Partners are Zambia, Malawi, DRC, Swaziland and Mauritius[18].

2.5.1 Zimbabwe Trade with COMESA

Figure 2: Zimbabwe trade with COMESA

[17] COMESA Official Reports, www. comesa.int

[18] *COMSTAT Database*



Source: COMSTAT Database

Table 3: Zimbabwe's Top Export Products to COMESA, 2012 Value US$ Millions

HS Code 2012	Product	Value in Million US$
270400	Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon	22,400
240220	Cigarettes, containing tobacco	7,100
440310	Wood in the rough, treated with paint, stains, creosote or other preservatives	4,100
030329	Frozen, nile perch (lates niloticus) and snakeheads (channa spp.)	4,100
481910	Cartons, boxes and cases, of corrugated paper or paperboard	3,100
151710	Margarine (excl. liquid)	2,800
392310	Boxes, cases, crates and similar articles for the conveyance or packaging of goods, of plastics	2,100
850720	Lead acid accumulators (excl. spent and starter batteries)	2,000
940161	Upholstered seats, with wooden frames (excl. convertible into beds)	1,800
151229	Cotton-seed oil and its fractions, whether or not refined, but not chemically modified (excl. crude)	1,800

Source: COMSTAT database

Table 4: Zimbabwe's Top Ten Import Products from COMESA, 2012 Value US$ Millions

HS Code 2012	Product	Value in Millions
100590	Maize (excl. seed for sowing)	263.8

240110	Tobacco, unstemmed or unstrapped	123.0
330210	Mixtures of odoriferous substances and mixtures, incl. alcoholic solutions,	21.2
240120	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	16. 4
230990	Preparations of a kind used in animal feeding	10.4
961900	Sanitary towels (pads) and tampons, napkins and napkin liners for babies, and similar articles, of any material	9.6
740311	Copper, refined, in the form of cathodes and sections of cathodes	7.9
170490	Sugar confectionery not containing cocoa, incl. white chocolate (excl. chewing gum)	7.6
120810	Soya bean flour and meal	7.1

Source: COMSTAT database

2.6 The COMESA-SADC-EAC Tripartite Free Trade Area [19]

In October 2008, the Heads of State and Government of the East African Community (EAC), COMESA and SADC agreed to establish a Tripartite Free Trade Area (TFTA) integrating the twenty-six Member States of these three Regional Economic Communities (RECs).

The Tripartite initiative was developed with the realization that the regional integration processes of the three RECs were related and in some cases identical and the major driving factors were the need to create a large market and resolve the complexities resulting from overlapping membership in the three RECs. Each REC has its own rules and regulations governing preferential trade.

The Tripartite Development Integration Strategy is anchored on the three pillars namely market integration, infrastructural and industrial development. Negotiations for the TFTA were launched during the 2nd Tripartite Summit of Heads of State and Government in 2011. The preparatory phase of the TFTA negotiations has been completed and the Tripartite Trade Negotiating Forum (TTNF) has been formally constituted and is functional.

Member States would negotiate the TFTA in two phases, whereby phase 1 will deal with trade in goods and phase 2 will deal with trade in services and other trade related issues. Movements of business persons will be negotiated as a separate track under Phase 1 and Phase 2 will commence after completion of phase 1. The TFTA had been targeted to enter into force in June 2014, however, given the pace at which these difficult negotiations are moving, the targeted period will be missed. Member States have exchanged trade data and statistics, reached a common understanding on the principles of negotiations, adopted modalities for tariff negotiations and rules of procedures of the various tripartite structures among others. Text

[19] Draft Report Establishing the Tripartite Free Trade Area, 2009
Report of the Chair of the COMESA-SADC-EAC Tripartite Taskforce (2011)
Roadmap for Negotiating and Establishing the COMESA-SADC-EAC Tripartite Free Trade Area (2011).

based negotiations on the draft main TFTA Agreement and six Annexes[20] are underway. There has been very limited substantive progress in negotiations on three annexes[21] , as all the agreements to date relate to the process.

2.6.1 Negotiation Strategies under the TFTA[22]

The negotiation strategy which has been adopted under the TFTA requires those sub-regional blocs who have achieved the Customs Union level (SACU and the EAC) TO participate in the negotiations as single customs territories. Thus to say, the five EAC and SACU countries would not negotiate as individual states. All the other countries within COMESA and SADC may negotiate individually, but they may choose to collaborate with other like-minded states and take common negotiating positions.

2.6.2 Negotiation Principles under the TFTA

The TFTA members States agreed on a number of principles to guide the negotiations (COMESA-SADC-EAC, 2011). These are listed below:

i) The negotiations shall be REC and/or Member/Partner State driven
ii) Variable geometry
iii) Flexibility and Special and Differential Treatment
iv)Transparency, including the disclosure of information with respect to the application of the tariff arrangements in each REC
v) Building on the *acquis* of the existing REC FTAs in terms of consolidating tariff liberalisation in each REC FTA
vi) A single undertaking covering Phase I on trade in goods
vii) Substantial liberalisation
viii) MFN Treatment
ix) National Treatment
x) Reciprocity, and
xi) Decisions shall be taken by consensus.

After a number of technical meetings, Member States reached a common understanding on these principles, although some countries feel that, there is still need to revisit the initially agreed understanding on these principles. This section will only elaborate on some of these principles.

The understanding reached on the principle of the A*cquis* is of particular importance. The current interpretation is that, tariff liberalization should start from the point reached by the COMESA-EAC-SADC trade regimes. Tariffs negotiations and the exchange of tariff concessions would be among Member/Partner states of the FTA that have no preferential arrangements in place among them.

[20] Annexes on Rules of Origin, NTBs, SPS, TBT, Trade Remedies, and Dispute Settlement
[21] Customs Cooperation, Simplification and Harmonization of Trade Documentation and Procedures and Transit Trade and Transit Facilities
[22] TMSA Tariff Liberalisation Module

For Zimbabwe, the country is already trading on FTA terms with twenty-one countries[23], implying that there will be no tariff negotiations with them. Applying the A*cquis* principle, means that Zimbabwe will only have tariff negotiations with four non-FTA countries and these are Ethiopia, Eritrea, Angola and DRC within the TFTA.

Two questions need to be addressed as the country participates in these on-going TFTA negotiations and these are; ***what is in it for Zimbabwe*** *and* ***what can Zimbabwe offer to these countries****?(see section 4.5 of this report)*

The other principle is negotiations will be member state driven. This implies that negotiations will not be done at regional economic community level except for cases were customs unions are in force as in EAC and SACU. Member states will also negotiate on the principle of variable geometry. This is a form of flexibility that allows progression in cooperation among member states in a variety of areas at different speeds (Erasmus, 2013). Some member states can move faster than others, giving Zimbabwe time to adjust to the TFTA as it can liberalise a bit later than others.

The TFTA calls for member states to negotiate on the principle of flexibility and special and differential treatment. Least developed countries in the TFTA will receive concessions in terms of market access. Thus Zimbabwe will be expected to extend concessions to the four countries it is negotiating with in the TFTA given that they are classified as least developed countries.[24] Essentially, the principle is meant to prevent deindustrialization but countries may tend to use it to slow down liberalisation and hence delay deeper integration from which Zimbabwe can effectively benefit. Flexibilities may apply on transition period where it is varied depending on the level of economic development of the member states. Flexibilities would also take into account special economic challenges faced by the member states giving Zimbabwe an opportunity to negotiate a better schedule for liberalisation given the economic challenges it is currently facing.

Negotiations will also respect WTO's Most Favoured Nation principle, requiring TFTA member states to extend to each other advantages they offer to non TFTA trading partners. This ensures that member states are trading on equal or better terms amongst each other as compared to trading parties outside the TFTA.

The other principle is that of substantial liberalisation that compels member states to cover substantially all trade. There is still no consensus on the qualifying percentage of trade required to be deemed 'substantial', hence the issue is still bracketed. COMESA and EAC have 100% product coverage on tariff liberalization, while SADC has on average 97% product coverage. Proposals have been tabled to have a 100% substantial liberalization under TFTA, therefore if it is approved it means there are no provisions for sensitive lists.

[23] EAC, SACU, Comoros, Djibouti, Egypt, Libya, Madagascar, Malawi, Mauritius, Mozambique, Seychelles, Sudan and Zambia

[24] Angola, DRC, Eritrea and Ethiopia

A question is, on the Implications for Zimbabwe of agreeing to the 100 per cent threshold.

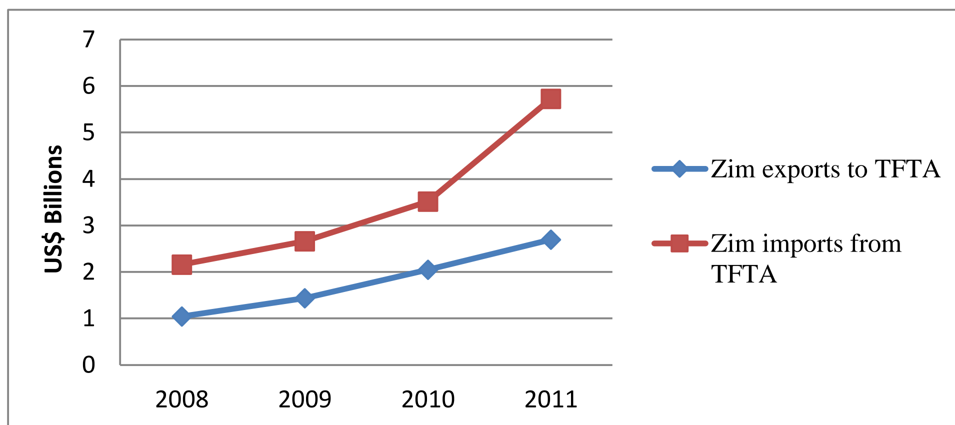
On the approach to tariff liberalization, a linear approach is being proposed between 60% to 85% tariff liberalization in the first year and the remaining tariffs being liberalized between 5-8 years[25]. Tariff phase down should be implemented immediately upon entry into force of the Agreement or be completed in 3 years.

The current interpretation of the A*cquis* principle is restricted to tariff liberalization and is not building on any other trade related matters such as Rules of Origin, Trade Facilitation, Non-Tariff Barriers, SPS, TBT, Trade Remedies, Dispute Settlement, Customs Cooperation and Procedures among other issues.

A question is on what are the opportunities to exploit for Zimbabwe on these other trade related matters.

2.6.3 Zimbabwe Trade Flows with the TFTA Countries

Figure 3: Zimbabwe's Trade Flows between 2008-2011



Source: UN Comtrade Database

Figure 3 shows Zimbabwe's trade with the other twenty-five COMESA-SADC-EAC TFTA over the period 2008-2011. The graph shows that the country's total trade values with the TFTA countries has been increasing, however, there has been consistently negative trade balance with import values rising than exports over the period under study. Since 2008, Zimbabwe's imports from the TFTA were increasing particularly in 2010. Although exports have been on an upward trend, they were falling short of imports. The trade trend shows that Zimbabwe has been a net importer in the TFTA region over the past recent years.

[25] Source: Modalities for Tripartite Tariff Negotiations (TP/ TTNF/IV 2012/3.2.1 rev 3)

2.6.4 Composition of Zimbabwe's Trade with TFTA Countries (See Annex 1a)

Zimbabwe's total trade with TFTA countries averaged US$5.2 billion between 2007-2011 representing 68.2% of the county's global trade.

Intermediate goods constitute 40% of Zimbabwe's exports to the TFTA countries. The remaining proportion of exports is constituted by consumer goods (29%) and raw materials (26%) with capital goods constituting 5% (see Figure 10 in Annex 1a). Table 18 in Annex 1a illustrates the country's top 20 export products into the TFTA between 2008 and 2011.

Zimbabwe's main import products from the region largely comprise of intermediate goods (39%). Similarly, it exports to the region are mainly intermediateConsumer goods (34%) also contribute a significant proportion of imports, while capital goods represent about 18%. Raw materials constitute 9%, a small proportion of the country's total imports from the TFTA region. See Figure 11 and Table 19 in Annex 1a.

2.7 Composition of Zimbabwe's Trade with Angola, Eritrea, DRC and Ethiopia (2008-2011) (See Annex 1b)

Zimbabwe's total trade with: Angola, Eritrea, DRC and Ethiopia cumulatively averaged US$40.2 million between 2007 and 2011 representing only 0.53% of the country' global trade. Annex 1b shows the composition of Zimbabwe's trade with the four non FTA countries within which Zimbabwe will exchange tariff offers with in the COMESA-SADC-EAC TFTA (i.e. Angola, Eritrea, DRC and Ethiopia).

2.7.1 Zimbabwe's trade with Angola

Zimbabwe's total trade with Angola reached a cumulative average of US$3.9 million between 2007 and 2011 representing 0.05% of the country's global trade during that period. Trade flows between Zimbabwe and Angola for the period 2008-2011 show that the Zimbabwe's export composition comprised of consumer goods (47%), raw materials (36%), capital goods (16%) and intermediate goods (1%) (see Figure 12 in Annex 1b). The main export products (see Table 20 in the Annex 1b) include tobacco, metals, machinery, nuclear reactors, dairy products, sugar and cereals. Similarly, Zimbabwe's main import products were consumer goods, representing 85 % of the total imports. Capital goods constituted 13%, whilst intermediate had the least composition of 2% (see Figure 13 in Annex 1b).

2.7.2 Zimbabwe's trade with Eritrea

Zimbabwe's trade with Eritrea cumulatively averaged only US$17,000 between 2007 and 2011 representing only 0.0002% of the country's trade with the world over that period. Essentially, there is minimal trade between Zimbabwe and Eritrea. The export products included vehicles, furniture, prefabricated buildings, clocks and watches, oils, and perfumes and plastics (see Table 21 Annex 1b). Conversely, a large proportion of imports were capital goods (57%), with

the remaining 43% composing of consumer goods (see Figure 15 in Annex 1b). Products imported included machinery, nuclear reactors and boilers (Table 22 of Annex 1b).

2.7.3 Zimbabwe's trade with Ethiopia

Zimbabwe's trade with Ethiopia cumulatively averaged only US1.02 million between 2007 and 2011 and this was about 0.01% of the country's trade with the world. Zimbabwe largely exported intermediate and consumer goods to Ethiopia. Intermediate goods constituted 66% of total exports while consumer goods constituted 23% of exports (Figure 16 of Annex 1b). Capital goods and raw materials had the least composition, covering 9% and 2% respectively.

Like exports, intermediate goods constituted a greater proportion of imports, covering 43% and consumer goods constituted 37% (see Figure 17 of Annex 1b). Main export products included machinery, cereals, furniture and articles of leather. Imports for Capital goods represented a larger proportion than exports, covering about 18% and raw materials only constituted 2%. Import composition included, raw hides, skins and leather, trees, flowers, electronic equipment, footwear, plastics, machinery and vehicles (see Table 24 of Annex 1b).

2.7.4 Zimbabwe's trade with DRC

Zimbabwe's trade with DRC was cumulatively around US$35.2 million between 2007 and 2011 representing 0.46% of the country's trade with the world over that period. The main export products to DRC include minerals, fuels, nickels, tobacco, dairy products. Zimbabwe mainly imports copper, ores, inorganic chemicals, zinc, and fertilizers among others.

Table 25 and 26 of Annex 1b show Zimbabwe's consolidated trade flows with the four countries between 2008 and 2011.

3. STUDY METHODOLOGY

The study employed both qualitative and qualitative analyses in order to address the objectives of the study. Qualitative analysis involved face to face interviews with government ministries and the private sector on their experiences so far within SADC and COMESA regional economic communities as well as their interests in the Tripartite FTA.

The Tariff Reform Impact Simulation Tool (TRIST) Model was employed as a quantitative tool to analyse the short-term impact of tariff reform on fiscal revenue and imports value upon implementation of a full Tripartite FTA by Zimbabwe. The model however, focuses more on the impact of trade reform on revenue and imports than economic impact on competitiveness, or competitive effects, and poverty and welfare (Cheelo et al, 2012). One advantage of the TRIST model is that it is useful for analyzing the potential short- term relative vulnerability of different sectors in the domestic economy in terms of output and employment if data is available. However, this was not feasible in this current study owing to data limitations.

This tool makes projections based on revenue actually collected (and thus provides more accurate estimates) at the product level. The study team downloaded TRIST model in Excel from the World Bank website and made use of the user manual which is straightforward to use. The tool is flexible and can be used on tariff analysis in the various trade arrangements to which Zimbabwe is a member such as the Tripartite FTA, ESA-EU EPA, and COMESA/SADC etc. It uses detailed data on actual revenues collected from trade whereas other tools use hypothetical revenues from applying duty rates on paper[26]. Further, the TRIST model analyses revenue impact using all trade taxes such as customs duty, excise duty, surtax, and VAT unlike other models that only simulate revenue impact based on customs duties only. Through the TRIST model the government will be able to identify in advance the potential revenue impact of tariff reform. This will therefore enable the government to either classify such products as revenue sensitive products which will be exempted from trade policy reform or provide relevant safety nets.

The TRIST model has been used in many similar studies from comparable economies such as Zambia, Malawi, Madagascar, Mauritius, Seychelles, Nigeria and Kenya among others.

The study used the 2011 monthly import data from the Zimbabwe Revenue Authority (ZIMRA). In terms of data requirements, TRIST model requires the HS code, country of origin, customs procedure code (CPC), value of imports, collected tariff revenue, excise revenue and VAT revenue as well as statutory revenue which is a summation of the customs revenue collected and all the exemptions realized in 2011. The tariff rates used for the TRIST model data were obtained from the COMESA Secretariat. These include the MFN rates, SADC, COMESA and rates charged on the bilateral agreements between Zimbabwe and Mozambique, South Africa, Malawi, Namibia and Botswana.

The TRIST model requires a rigorous data cleaning process to eliminate all entries that may distort the findings of the study. In the current study, this involved removing all the CPC codes that do not enter the home market in free circulation. These include government consignments; humanitarian imports i.e. imports by international organisations for free distribution; imports by foreign embassies; goods in transit; and goods that have been imported for donation. As part of the data cleaning process by the TRIST model, outlier products were also removed from the data, especially the ones with very high applied tariff rates beyond 200%. Further, only one

[26] http://siteresources.worldbank.org/INTRANETTRADE/Resources/239054-1196261607599/4442906-1253911939559/TRIST_Paper_revised.pdf

product 22030090[27] that contributed to more than 1% in share of imports was also removed from the TRIST data set. The data was then formatted for TRIST model using Microsoft Access and six tables were created with identical HS Codes and trading partners. These included the imports value, collected tariff revenue, statutory tariff revenue, VAT revenue, Surtax revenue as well as excise revenue tables. The tables were imported into the TRIST aggregation tool to make the data ready for TRIST simulations.

4. MARKET ACCESS IMPLICATIONS FOR ZIMBABWE IN JOINING THE TFTA

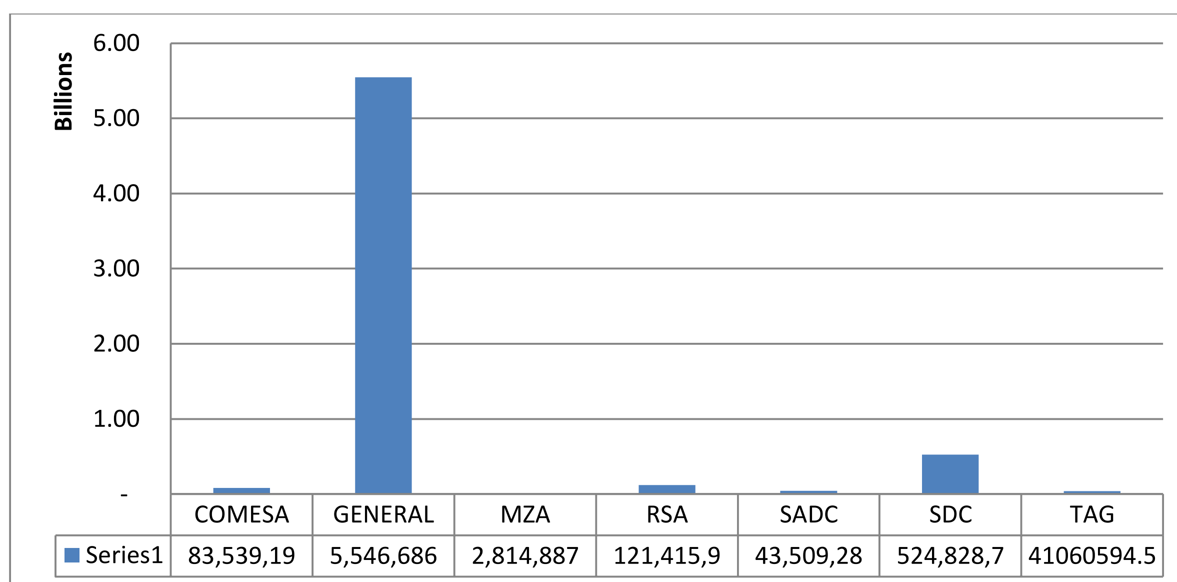
4.1 Zimbabwe's TRIST Data description

[27] Product 22030090 is Beer made from malt (excl.. opaque beer)

The country's TRIST data constitute the country's imports from 151 trading partners of the world. Data is presented in eight-digit HS2007. Zimbabwe's imports from the twenty-one[28] TFTA countries constitute 60% of the country's total imports from the world. The 2011 imports relevant for the TRIST model amounted to $6,363,855,235.00, constituting 93%[29] of total imports for that year.

In 2011, Zimbabwe traded with the twenty-one TFTA countries under various trade regimes including SADC; COMESA; MFN; and bilateral arrangements with Botswana, Malawi, Mozambique, Namibia and South Africa. While the country has all these preferential trade agreements, TRIST data shows that 87% of total imports were traded under MFN which has the least preferences in comparison to other trade regimes. Further, about 8% of the imports were extended SADC general preferences and these originated from South Africa while only 1% of imports were also extended SADC differentiated preferences and were from the other SADC countries. Imports that were extended COMESA preferences constituted 1% of the total imports in 2011 while the rest were traded under the bilateral arrangements. Figure 4 depicts the same picture but in import values.

Figure 4: Zimbabwe's 2011 imports by Trade regime



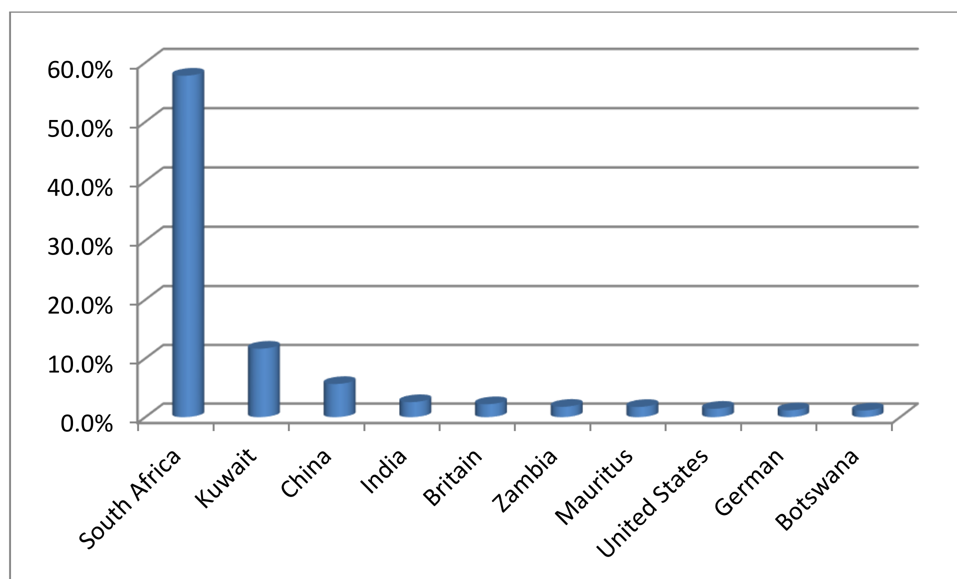
Source: Author's compilation from the TRIST Model

Figure 5 shows Zimbabwe's top ten importing partners in 2011. South Africa was the main trading partner, contributing 57.8% of the country's total imports. It was followed by Kuwait and China with an import share of 11.7% and 5.6% respectively. Of these ten countries, only four namely South Africa, Zambia, Mauritius and Botswana are in the Tripartite FTA arrangement.

[28] Zimbabwe did not record trade with all the 25 TFTA countries as it did not import from Angola, Eritrea, Libya and Rwanda

[29] The remaining 7% were eliminated from the dataset as described in Chapter 3

Figure 5: Share of Total Imports (%)



Source: Authors' compilation from the TRIST Model

4.2 Year 2011 Trade Tax Regime

The trade regime under which the product entered the country determined the applicable tariff rate used in the TRIST data. As alluded to above, these regimes include SDC, which is extended to goods from South Africa entering Zimbabwe under the SADC trade protocol; SADC; which is the preference extended to goods coming from the rest of SADC countries; COMESA preferences on goods coming from the COMESA region; and bilateral preferences for goods entering Zimbabwe under South Africa, Mozambique, Botswana, Namibia and Malawi.

The trade revenue regime in 2011 as highlighted in the 2011 National Budget was anchored on implementing measures aimed at supporting the productive sector. The customs policy was also aimed at ensuring sustained availability of basic commodities given the low capacity utilisation of the manufacturing sector. The duty-free facility for imported basic commodities that was effected in January 2011 was extended to June 2011(see Annex 2). In addition, customs duty on selected household goods, such as television sets and selected medical apparatus was also reduced with effected from 1 January 2011. Duty on motor vehicles exceeding 1 500cc was reduced from between 40% and 60% to 40%. The same applied to customs duty on textiles, clothing and footwear which constitute the bulk of imports by cross-border traders.

4.3 Zimbabwe Trade Tax Revenue 2011

Zimbabwe collects its trade revenues in the form of customs duty, excise duty, value added tax (VAT) and surtax. Table 6 is a summary of trade revenues that Zimbabwe earned in 2011.

Table 5: Zimbabwe's Trade Taxes, 2011

	Statutory tariff	Collected tariff	Excise duty	VAT	SURTAX
Total Value (USD)	1,003,586,455	164,472,360	213,995,702	320,664,859	2,245,147.22
Share Of Total		23.4%	30.5%	45.7%	0.3%
Simple Average	13.7%	15.0%	0.1%	13.3%	0.0%
Weighted Average	15.8%	2.6%	3.3%	4.9%	0.0%

Source: Author's compilation from the TRIST Model

VAT contributed 45.7% of the country's trade revenue from the world; followed by Excise Duty and collected tariff revenue with a share of 30.5% and 23.4% respectively. VAT constituted the largest share of trade revenue mainly because it is charged on most imported products that may not be eligible for other trade taxes.

Trade taxes in Zimbabwe are calculated as follows:

- Customs tariff- this is calculated on value for duty purposes which is the sum of CIF and any other charges incurred before goods arrived at the border
- Excise duty- This duty is applicable to tobacco and tobacco products; alcoholic and aerated beverages; fuel and petroleum products. It is calculated based on a specific or fixed rate per unit but can also be based on an ad valorem rate.
- Value added tax -Value Added Tax is charged at a rate of 15% on the Value for Tax Purposes (VTP) which is Value for Duty Purposes (VDP) plus customs duty payable.
- Surtax – 25% of VDP

4.3 Zimbabwe's Tariff Structure

Zimbabwe mainly applied ad valorem taxes ranging from 0% to 140% in the 2011 trading year. Twenty-four percent (24%) of the 2011 imports were traded at 0% duty rate, while 40%, 12% and 10% of imports were charged 5%, 10% and 0.16% respectively. Specific rates were charged on the following product chapters:

Table 6: Products eligible for excise duty by HS Chapter

HS Chapter	Product description
20	Fruit juices and vegetable juices
22	Beverages, spirits and vinegar
24	Tobacco and tobacco products
27	Fuel and petroleum products
61	Made up knitted or crocheted articles
62	Articles of textile fabric
63	Made up articles of any textile fabric
64	Footwear

Source: Authors' compilation from the TRIST Model

4.4 TRIST Results and Interpretation

Zimbabwe's regional trade policy commitments within SADC and COMESA in year 2011, were used as the basis to assess the potential impact of the TFTA trade reform on Zimbabwe's imports and revenue. Under COMESA, Zimbabwe was offering 0% tariff to FTA countries, however duty was still applicable to the non-FTA countries. In the same vein, under SADC, although the country granted duty free access to FTA countries on some of its product lines, in 2011, the country had been granted derogation, meaning some of the products from FTA countries were being charged customs duty.

The choice of simulation scenarios depended on the country's implementation of regional trade reforms in 2011, as such the following three country groups were defined; COMESA FTA[30], SADC FTA (excluding RSA)[31] and RSA only. It should be noted that selection of countries in the country groups within the TRIST model is mutually-exclusive, thus each country can only belong to one group.

RSA was considered separately from other SADC countries, in order to minimize the tariff reform impact on the country's revenue and imports under full liberalization, since South Africa is Zimbabwe's the major trading partner.

To assess the potential impact of the TFTA on Zimbabwe, simulations were run for full liberalization on the following country groups; COMESA FTA, SADC FTA (excluding RSA) and RSA only.

Using the TRIST Simulation Tool, the study applied three Tariff Reform Scenarios;

- A Scenario of full liberalization under the SADC FTA (excluding RSA)and COMESA FTA and RSA only (inclusive of Petroleum Products);
- A Scenario of full liberalization under the SADC and COMESA Free Trade Area (exclusive of Petroleum products); and
- A Scenario of full liberalization under the Tripartite Free Trade Area with only DR Congo and Ethiopia.

The summary results for these three scenarios are shown in the tables below.

[30] COMESA grouping was defined as COMESA countries minus SACU and those with joint membership. As such these countries included Burundi, Djibouti, Egypt, Ethiopia, Kenya, Comoros, Sudan, Uganda

[31] SADC grouping included Botswana, Lesotho, Madagascar, Mauritius, Malawi, Mozambique, Namibia, Seychelles, Swaziland, Tanzania, Zambia, DR Congo,

4.4.1 Scenario 1: Full liberalization under the SADC FTA (excluding RSA), COMESA FTA and RSA only (Inclusive petroleum products)

The full FTAs in this case, assumed accession to the FTAs by countries like DR Congo, Eritrea, Ethiopia, Seychelles, Swaziland, Uganda and Angola that were neither part to the SADC nor the COMESA FTAs. The following assumptions were made;

- Full COMESA FTA scenario, where all tariff lines were traded at 0% duty.
- Full SADC FTA (excluding RSA[32]) scenario, where all tariff lines were traded at 0% duty.
- 0% tariff reform with RSA.
- No tariff change on products from the remaining trading partners (Rest of the World).
- No products will be excluded from the trade liberalization.
- Elasticities of 1.5, 1 and 0 for export substitution effects, domestic substitution and demand effects were applied respectively (by default in TRIST Model).

The summary of results for the Scenarios of Full SADC FTA (excluding RSA), COMESA FTA and RSA only (inclusive petroleum products) are shown in Table 8 below.

Table 7: Potential Impact of the Full SADC and COMESA FTAs on Zimbabwe's 2011 Imports and Revenue

RESULTS	COMESA FULL FTA	SADC FTA excluding SA	RSA
Impact on imports:			
Change in imports	74,753	1,083,703	34,886,035
% change in imports	0.0%	0.0%	0.5%
Impact on Revenue:			
Tariff revenue pre	164,472,360	164,472,360	164,472,360
Tariff revenue post	164,293,588	161,907,774	81,642,871
Change in tariff revenue	-178,772	-2,564,587	-82,829,489
% change in tariff revenue	-0.1%	-1.6%	-50.4%
Total Tax Revenues on Imports			
Total revenue pre	701,378,069	701,378,069	701,378,069
Total revenue post	701,185,869	698,615,056	612,020,767
Change in Total revenue	-192,200	-2,763,013	-89,357,302
% change in Total revenue	0.0%	-0.4%	-12.7%

[32] South Africa was singled out from SADC FTA in order to simulate its impact on Zimbabwe's full trade liberalisation with SADC given that it is the country's major trading partner.

Total Tax Revenues on Imports and Domestic Production			
Total tax revenue pre	701,378,069	701,378,069	701,378,069
Total tax revenue post	701,185,869	698,615,056	612,020,767
Change in total tax revenue	-192,200	-2,763,013	-89,357,302
% change in total tax revenue	0.0%	-0.4%	-12.7%
Collected Tariff rate:			
Collected applied tariff rate pre	2.6%	2.6%	2.6%
Collected applied tariff rate post	2.6%	2.5%	1.3%
% change in collected applied tariff rate	-0.1%	-1.6%	-50.6%

Source: Author's computations using TRIST Simulation Tool

4.4.1.1 Interpretation of Results

The potential marginal effect of a full COMESA FTA on Zimbabwe's imports using the 2011 statistics showed an increase of about US$75,000 worth of imports into the country, which is only 0.001%. Tariff/customs revenue would go down by about US $ 179,000, accounting for a 0.1% decrease. Total tax revenues on imports (combined customs duty, excise duty, VAT and surtax revenue) will fall by an estimated figure of about US $ 192 000 translating to a 0.027% decrease. Given this scenario, a full COMESA FTA could potentially yield minimal revenue losses for Zimbabwe given that by 2011 the country had liberalized most of its tariff lines to COMESA member states.

If Zimbabwe removes all tariffs with SADC FTA members excluding South Africa, the potential marginal effect would be a rise in imports of about US $ 1million, representing a 0.017% rise in imports. Tariff revenue would go down by about US$ 2.5 million, accounting approximately for a 1. 6% decrease and overall trade tax revenues will fall by an estimated value of US $ 2.7 million, translating to approximately 0.4% decline in total trade tax revenue.

Complete tariff phase down on all products from South Africa would potentially increase imports by $35 million accounting for, about 0.5%. There would be a significant fall in tariff revenue from US $ 164 million to about US $ 82 million, accounting for about 52% fall in tariff revenue. Overall trade tax revenue would fall by an estimated US$89 million, translating into approximately 13.2%. It can be noted that the greatest impact on trade liberalization with SADC will come from South Africa as compared to other SADC trading partners.

The cumulative potential impact of full COMESA and SADC FTAs and complete liberalization with RSA would be a 0.6% increase in imports, 52% fall in tariff/ customs revenue and about 13.2 % in overall trade taxes.

The largest decrease in tariff revenue for the estimated import values in 2011 for RSA only, reflect that Zimbabwe had quite a number of dutiable products from South Africa in that year.

Zimbabwe would face a negative impact on its revenue collections, if it fully liberalizes its trade with South Africa, as depicted by the significant decline in customs and total tax revenues. This result shows the country's dependence on South African goods, or intuitively South Africa dominance in the Zimbabwean market in the region.

4.4.2 Scenario 2: Full liberalization under the SADC FTA (excluding RSA), COMESA FTA and RSA only (excluding petroleum products)

Scenario 2 considered the impact of full liberalization under the SADC and COMESA FTAs on Zimbabwe's revenue and imports excluding petroleum products (chapter 27 tariff line of Zimbabwe's 2007 Tariff Handbook). Petroleum products were deliberately eliminated in this scenario, in order analyse by how much revenue impacts can be minimzed through charging excise duties on these products, given that they accounted for a significant proportion of about US $ 1 billion (16.9%) of the country's total import bill in 2011. This scenario was based on similar assumption as those used in Scenario 1 but petroleum products were dropped from the data.

The summary of results for the Scenarios of Full SADC and COMESA FTA (excluding petroleum products) are shown in Table 9.

Table 8: Potential Impact of the Full SADC and COMESA FTAs on Zimbabwe's 2011 Imports and Revenue (excluding petroleum products)

RESULTS	RSA	SADC Excluding RSA	COMESA
Impact on imports:			
Change in imports	34,588,814	1,020,337	74,753
% change in imports	0.7%	0.0%	0.0%
Impact on Revenue:			
Tariff revenue pre	163,341,586	163,341,586	163,341,586
Tariff revenue post	81,128,740	160,917,713	163,162,813
Change in tariff revenue	-82,212,846	-2,423,873	-178,772
% change in tariff revenue	-50.3%	-1.5%	-0.1%

Total Tax Revenues on Imports			
Total revenue pre	492,254,922	492,254,922	492,254,922
Total revenue post	403,559,246	489,642,625	492,062,722
Change in Total revenue	-88,695,676	-2,612,297	-192,200
% change in Total revenue	-18.0%	-0.5%	0.0%
Total Tax Revenues on Imports and Domestic Production			
Total tax revenue pre	492,254,922	492,254,922	492,254,922
Total tax revenue post	403,559,246	489,642,625	492,062,722
Change in total tax revenue	-88,695,676	-2,612,297	-192,200
% change in total tax revenue	-18.0%	-0.5%	0.0%
Collected Tariff rate:			
Collected applied tariff rate pre	3.1%	3.1%	3.1%
Collected applied tariff rate post	1.5%	3.0%	3.1%
% change in collected applied tariff rate	-50.7%	-1.5%	-0.1%
For more details see worksheet 'Detailed Results'			

Source: Authors' computations using TRIST Simulation Tool

4.4.2.1 Interpretation of Results

With exclusion of petroleum products, the cumulative potential impact of reducing all tariffs within COMESA, SADC excluding RSA and RSA would be a 0.7% increase in imports, a slightly greater magnitude compared to a scenario including petroleum products (see Table 8 above). Tariff revenue would fall by 51.9%, a similar outcome as in the first scenario. This similarity is possibly explained by the fact that, excise duty has already largely replace tariffs as the major tax on petroleum, hence removing it from the data set could not make any significant impact on the customs revenue.

The decrease in overall trade taxes was about 18.6% in Scenario 2, a higher magnitude compared to Scenario 1.This could be possibly explained by the decline in excise duty revenue after the removal of petroleum products from the data set.

- The results show disaggregated impacts based on Zimbabwe's regional trade policy commitments in 2011.
- Results show that there would be varying impacts on the country's imports and revenue had the country implemented the full COMESA, SADC FTAs in 2011.

4.4.3 Scenario 3: Full liberalization under the TFTA with only DR Congo and Ethiopia

Given the TFTA negotiation principles, specifically the *Acquis*, which states that Member States will only exchange tariff offers with those TFTA partners that are neither in COMESA nor SADC FTAs, Zimbabwe is effectively going to exchange tariff offers with only four countries (DR Congo, Eritrea, Ethiopia and Angola). The 2011 customs data used in this study, did not record any trade transactions between Zimbabwe and Eritrea as well as Angola hence the two countries could not be included in the simulation.

Scenario 3 considered two country groups namely; 19 country TFTA group with Member States already participating in COMESA and SADC FTAs[33] and a 2 country TFTA group with Member states not in either of the FTAs[34]. In this scenario, it was assumed that there is no change in trade between Zimbabwe and the existing 19 COMESA/SADC FTA countries (*Acquis* with these countries is maintained). It was further assumed that there will be full tariff liberalization on trade with DR Congo and Ethiopia, but on reciprocal basis.

The results of Scenario 3 are presented Table 10. They show that import value will increase by only $4 846, which translates to approximately 0% increase in imports. A $ 10 907 loss in customs revenue will be recorded equating to a 0% decrease in customs revenue. Similarly, other tax revenues will record insignificant losses of around 0%. The fact that no trade was recorded with Eritrea and Angola presents an opportunity for Zimbabwe to explore expanding into these markets.. It is therefore recommended that Zimbabwe can open up its markets further with these countries as the expected revenue loss will be minimal.

Table 9: Potential Impact of the TFTA on Zimbabwe's 2011 Imports and Revenue from full trade liberalization with DRC and Ethiopia

Results	**Scenario 2: TFTA with DR Congo and Ethiopia**
Impact on imports:	
Change in imports	4,846
% change in imports	0.0%
Impact on Revenue:	
Tariff revenue pre	164,472,360
Tariff revenue post	164,461,453
Change in tariff revenue	-10,907
% change in tariff revenue	0.0%
Total Tax Revenues on Imports	
Total revenue pre	701,378,069
Total revenue post	701,366,440
Change in Total revenue	-11,629
% change in Total revenue	0.0%
Collected Tariff rate:	
Collected applied tariff rate pre	2.6%
Collected applied tariff rate post	2.6%

[33] Kenya, Burundi, Uganda, Tanzania, South Africa, Botswana, Lesotho, Namibia, Swaziland, Comoros, Djibouti, Egypt, Madagascar, Malawi, Mauritius, Mozambique, Seychelles, Sudan and Zambia. Zimbabwe did not record any trade with Rwanda and Libya in 2011

[34] DRC and Ethiopia, given that Zimbabwe did not trade with Eritrea and Angola in 2011

% change in collected applied tariff rate	0.0%

Source: Authors' computations using TRIST Simulation Tool

4.4.3.1 Interpretation of Results

Scenario 1 and 2 results are internal impacts that Zimbabwe is likely to face if COMESA and SADC countries commit to fully implement the FTAs. Results from these scenarios show that much of the adjustment Zimbabwe will experience, would stem from the full implementation of the existing SADC and COMESA Agreements (specifically implementing the tariff removal for South African imports under SADC) and not from joining the TFTA. Scenario 3 shows the incremental impact Zimbabwe will experience on imports and trade revenue when it bilaterally opens up to DRC and Ethiopia under the TFTA. This is however not complete as it does not take into account the possible impact of preference erosion for Zimbabwe in SADC and COMESA as the TFTA is introduced. The next section outlines the potential implications for Zimbabwe as it faces preference erosion as SACU negotiates improved access with the larger economies of Egypt and the EAC. It is important to note that under the existing negotiating modalities Zimbabwe will not negotiate for further market access with these countries.

4.4.4 What's in the TFTA for Zimbabwe?

Looking at the export potential, Zimbabwe's trade interest in the TFTA is quite limited. The country's exports to the four countries i.e. Angola, DRC, Ethiopia and Eritrea averaged only 0.79% of the country's total exports to the world between 2008 and 2012[35]. On average the export flow to these countries was only $ 21.8 million. Export potential to Angola is limited by the fact that Angola already expressed in the 9th TTNF meeting in January 2014 that it had not prepared a tariff offer and will not prepare one for the TFTA while conditions for accession to the SADC FTA remain under preparation. The country cited technical constraints in the tariff offer preparations.

4.4.5 TFTA Risks for Zimbabwe

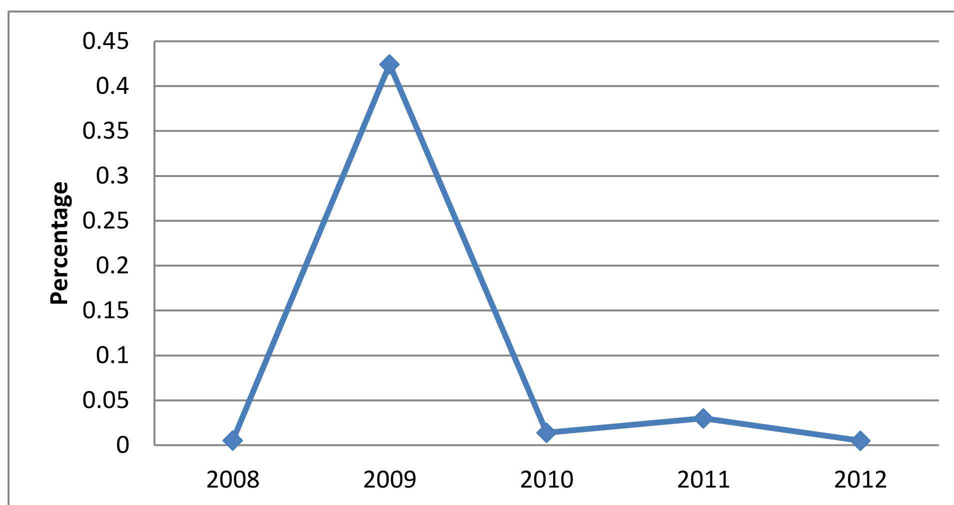
Zimbabwe has bilateral, regional (SADC/COMESA and ESA-EU EPA) and multilateral (WTO) trade agreements.

4.4.5.1 Import competition and potential impacts on export displacements

[35] Source: Trade Map Database

Will there be risk of import competition from four TFTA countries? This will be quite minimal given that Zimbabwe's imports from Angola, DRC, Ethiopia and Eritrea averaged only 0.1% of total imports between 2008 and 2012[36] (see Figure 6).

Figure 6: Percentage share of Zimbabwe's imports from TFTA countries (Angola, DRC, Ethiopia and Eritrea)



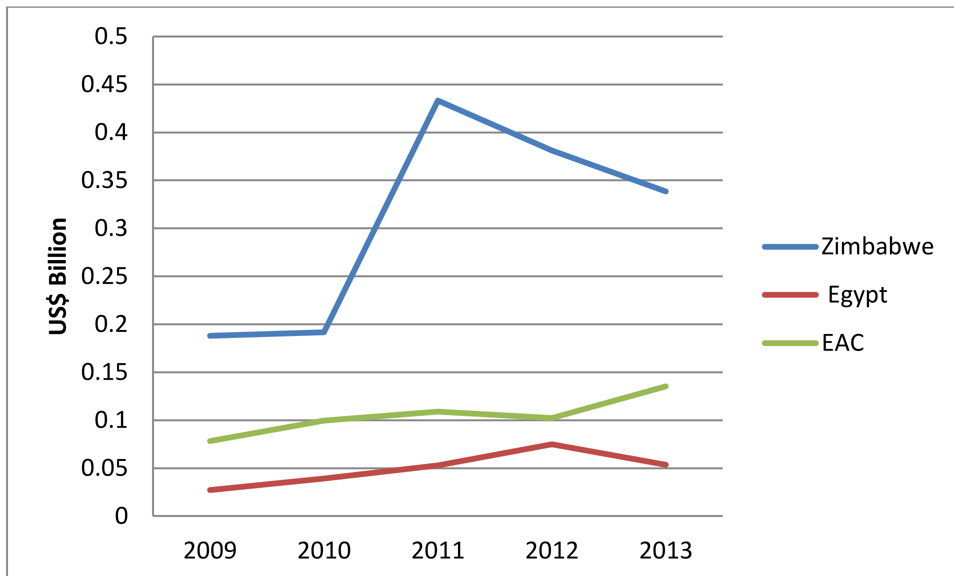
Source: Authors' computation from ITC Trade Map Database

How about the threat of Zimbabwe's export displacements from South Africa and Egypt's goods in the EAC market? Or export competition from EAC and Egypt goods in the South African Market. Or yet even export competition from the South African and EAC goods in the Egyptian markets.

South Africa's National Development Plan aims to promote deeper regional integration in Southern Africa whilst riding on the improved economic growth in Africa with a key focus on the TFTA. South Africa is actively pursuing its offensive interests with the EAC and the large members of COMESA as it seeks to win improved market access for its exporters. South Africa is quite vocal on the market access matters such as *Acquis*, Rules of origin as well as industrial development. Whist South Africa's goods are not that competitive globally, they remain competitive within Africa. South Africa's manufacturing sector competitiveness is very linked to its services sector that is quite present throughout the continent particularly in logistics, transport, telecommunications, finance, retail and wholesale services. South Africa finds Kenya in the EAC and Egypt as key markets of interest under the TFTA. The country has been very influential in the TFTA negotiations with a special focus on the negotiation guidelines and clarification of issues and concepts e.g. the definition of the *Acquis* which eventually diverted the TFTA's focus from the original idea of resolving overlapping memberships and introduction of the new generation FTA.

[36] Source: Trade Map Database

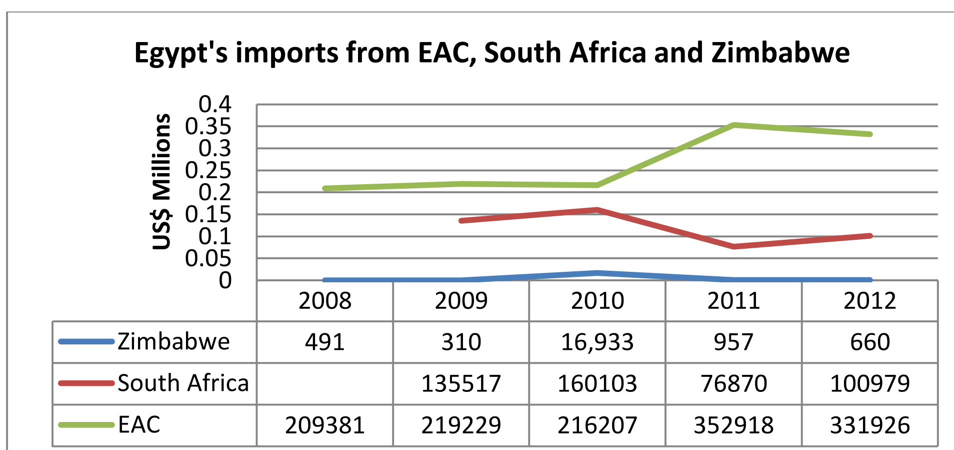
Figure 7: South Africa's imports from Zimbabwe, Egypt and EAC



Source: Authors' computation from ITC Trade Map Database

Zimbabwe remains a key exporter to South Africa when compared with Egypt and EAC (see Figure 7). Whilst all the imports from these countries are generally growing, this is not the case for Zimbabwe. The country' export growth declined between 2011 and 2013 whilst that of the EAC was on an upward trend. South Africa's imports from Egypt are generally on a upward trend although a slight decline in imports was noted between 2012 and 2013. Zimbabwe is likely to face competition in this market if South Africa is to strike a deal for FTAs with Egypt and EAC. A potential threat may also come from the EAC whose exports to South Africa have been growing.

Figure 8: Egypt's imports from EAC, South Africa and Zimbabwe

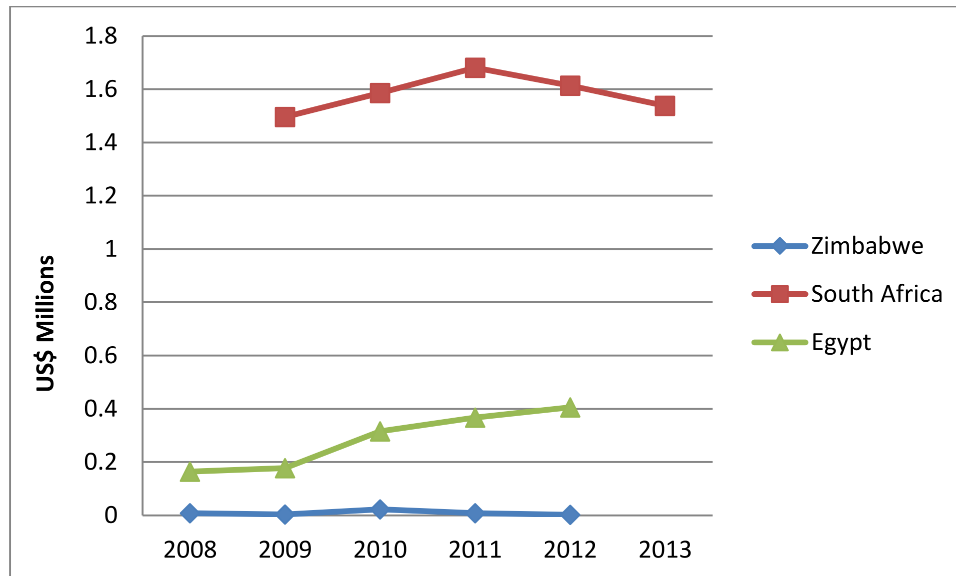


	2008	2009	2010	2011	2012
Zimbabwe	491	310	16,933	957	660
South Africa		135517	160103	76870	100979
EAC	209381	219229	216207	352918	331926

Source: Authors' computation from ITC Trade Map Database

Zimbabwe has a very small market share in Egypt as compared to EAC and the South Africa (see Figure 8). Of the three import markets for Egypt, EAC is the dominant and growing partner followed by South Africa. If Egypt is to create a free trade area with EAC and South Africa, imports from these sources are likely to grow posing a threat to Zimbabwe's few exports. Egypt's tariff offers to TFTA member states were approved by its Ministry of Trade and Industry and the country is ready to exchange its tariff offers. It has already received requests from EAC to exchange tariff offers on bilateral basis.

Figure 9: Exports to EAC



Source: Authors' computation from ITC Trade Map Database

As in the Egyptian market, Zimbabwe remains a small player in the EAC market. Its exports in 2012 were only 0.3% and 0.08% to Egypt and South Africa respectively. Egypt's exports to EAC are growing quite significantly from US $176.8 million in 2009 to US $405.5 million in 2012 (see Figure 9). While South Africa's exports declined from US $1.68 billion in 2011 to $1.55 billion in 2013, the country's exports by far out compete those from Egypt and Zimbabwe. If the country creates a free trade area with EAC under SACU, more imports are expected to penetrate the EAC market. The EAC has already embarked on preliminary discussions on the exchange of tariff offers with SACU and Egypt in January 2014. Thus, this agreement will likely have an impact on Zimbabwe's exports to the EAC.

In order to reduce chances of export displacement, TFTA negotiations offer an opportunity to countries like Zimbabwe to push for the granting of special dispensation to products like sugar as what is currently prevailing in SADC under Annex 7 of the SADC Trade Protocol, concerning trade in sugar. In this section of the agreement, sugar is considered as a product that requires special dispensation so as to ensure that no sugar industry within SADC suffered from harm. The long-term objective of the agreement however, is to achieve full liberalisation in the sugar industry depending on the world market conditions. In the agreement, each SADC

country is granted non reciprocal market access to a portion of the SACU sugar market, based on the annual growth in that market. The allocation to each SADC net surplus producer is based on each producer's relative net surplus production[37]. An additional non reciprocal market access of 20,000 tonnes is also granted to non SACU SADC surplus sugar producers countries per year according to each producer's relative surplus production.

4.4.5.2 Revenue Considerations

As alluded to in Section 5.4, Zimbabwe is likely to face minimal revenue loss as a result of it joining the TFTA as anticipated revenue loss will essentially emanate from the full implementation of COMESA and SADC FTAs.

4.4.5.3 Implications for trade policy and trade related institutions

Zimbabwe is likely to benefit from increased trade and trade related cooperation. This includes the harmonisation of trade related policies e.g. customs procedures, standards, SPS, intellectual property rights and competition policy all of which are not yet fully harmonised at the SADC and COMESA levels. The challenge will lie on implementing trade rules, contributing to the establishment of the TFTA institutional framework and to coordinate trade policy making between national, bilateral and the various regional trading blocs.

4.4.5.4 Challenges and Opportunities for Zimbabwe

Zimbabwe's export flow to the TFTA countries has been shrinking in the recent years as alluded to above. The country's exporters face numerous NTBs, and cumbersome border procedures when they move their goods throughout the region. Trade, particularly in SADC is very costly due to NTBs. Thus, the elimination of NTBs has potential to increase trade quite substantially. Further, implementation of the SADC trade protocol has been very slow as some Member States have not fully implemented their FTA commitments coupled with the complex rules of origin that have all generated little new intra-regional trade as compared to other regional arrangements globally. The complex rules of origin, specifically the Double Stage Transformation rule in Clothing and Textiles, attract high compliance costs to Zimbabwe's exporters thus, adding on to their costs of production, making their products less competitive.

Exporters face even greater challenges in the domestic market. This emerged from the interviews with private sector key informants from the leather, clothing and textiles, electrical equipment and sugar industries. These include liquidity challenges, high import tariffs on raw materials, increased costs of wages; inconsistent utility suppliers (water and electricity),

[37] As defined in the SADC Trade Protocol Annex 7 concerning trade in Sugar, Net surplus production" means the sugar wholly produced in any marketing year by a sugar producing member state in excess of the sugar required to satisfy its total domestic consumption and to fulfil its preferential quotas granted by the European Union and the United States of America and any similar preferential quota granted to it or which may be granted to it in the future by any other third country or bloc of third countries, and in the case of other member countries, the quantity of sugar per annum which are sold into SACU in terms of preferential trade agreements;

logistical issues given the unreliable railway system, stiff competition from cheap imports; porous borders and shortages of raw materials.

A challenging policy environment coupled with institutional rigidities as well as high cost drivers such as power, telecommunication, water, trade and corporate taxes and transport logistical issues continue to increase the costs of doing business in Zimbabwe. The challenging policy environment coupled with the negative perceptions emanating from the implementation of indigenization and economic empowerment programme are adversely affecting the investment climate. Zimbabwe ranks lowly on the World Bank's Ease of Doing Business. In this regard there is need for reforms targeted at improving the cost of doing business and the investment environment generally. There is need to address not only the high cost of doing business but also corruption which an implicit tax business and in particular to exporters. This implicit tax and the high costs of doing business reduce the competitiveness of Zimbabwean products both in the local and export markets. In addition the country needs to deal with supply side constraints such as the key enablers: energy, water and infrastructure. Expansion of productive capacity is constrained by limited medium to long term credit. Improving access to medium to long term credit will facilitate modernization outdated machinery and equipment and adoption of new technologies that improve productive efficiencies. These critical challenges call for Zimbabwe to focus on competitiveness issues and not just trade.

Apart from the focus on trade in goods, improving efficiency and competition within the services sector is also necessary for increasing competiveness and encouraging further export diversification.

4.4.6 Changes in Levels of Protection and Competitiveness

An analysis of potential changes in levels of protection associated with a Full TFTA was undertaken to identify sectors that are likely to experience greatest reduction in levels of protection due to the establishment of a Full TFTA. The results summary is shown in Table 11.

Table 10: Changes in Levels of Protection by Sector with the Establishment of a Full TFTA

ISIC[38]	Protection		Price Change
	Pre	Post	Imports
191 - Tanning and dressing of leather; manufacture of luggage, handbags, saddlery and harness	23.54%	23.24%	-0.18%
369 - Manufacturing n.e.c.	17.01%	17.00%	-0.01%

Source: Authors' construction from TRIST Simulation Results

[38] International Standard Industrial Classification

Table 11 shows two sectors which would experience potential reductions in their protection levels that would arise if a Full TFTA is established. Overall, the tanning and dressing of leather; manufacture of luggage, handbags, saddlery and harness and manufacturing industries would experience the greatest fall in tariff protection under a Full TFTA. However, the decline in the protection levels in the manufacturing and processing sectors may be advantageous for these sectors, as they would experience reduced customs duties on raw materials and intermediate products that they use in their production processes.

4.5 Proposed Offensive interests for Zimbabwe with Ethiopia, Eritrea, DRC and Angola [39]

4.5.1 Zimbabwe's Offensive Interest with Ethiopia

Zimbabwe's major exports to Ethiopia in 2011 were maize seed (HS100510); peas dried, shelled, whether or not skinned or split (HS071310); leguminous vegetables dried, shelled, whether or not skinned or split (HS071390); electrical insulators, (HS854690); and wire of aluminum alloy (HS7605290). The top five competitors in Ethiopia's maize seed market are, India with a market share of 58.2%; South Africa with a market share of 21.6% ; Argentina with a market share of 13.5%; Saudi Arabia with a share of 1.5% and Pakistan having a market share of 0.7%. Ethiopia charges an applied tariff rate averaging 5% on imports of maize seed. Zimbabwe has immense potential to export maize seed into Ethiopia considering that its average export growth over the period 2008 to 2012 stood at 127%.

Zimbabwe faces competition for Ethiopia's peas market from the USA which has a market share of 62.7%; Italy with 27.6%, Egypt with 8.8%, Russia with 0.9% and India which has a market share slightly above zero. Ethiopia charges an applied tariff rate averaging 27% on imports of peas from Zimbabwe. The fact that Zimbabwe's total export growth in peas stands at an average of 36% over the period 2008 to 2012 shows the country's strength of doing some exports in this area.

Zimbabwe's third major export to Ethiopia is leguminous vegetables although not much can be said about exports of these products due to unavailability of data. The country has potential to export electrical insulators to Ethiopia. Top competitors in the market for electrical insulators are China with 41.6% share of the market, India with 26.9%, Italy with 13.3%, South Africa with 7.6% share and Japan which has 4.6% market share. Ethiopia charges an applied tariff rate averaging 30% on imports of electrical insulators.

Zimbabwe has potential to export wires made of aluminum to Ethiopia. Major exporters in that market are Bahrain, Italy, Egypt, Belgium and Canada. Ethiopia charges an applied tariff rate averaging 30% on imports of wires of aluminum.

[39] Statistics from this section were obtained from the ITC Trade Map

4.5.2 Zimbabwe’s Offensive interests with Eritrea

Not much trade has been recorded between Zimbabwe and Eritrea over the years 2008 to 2012 except for a few tariff lines. Recorded trade in that period point to trade on wooden furniture (HS940360), automobiles with engine capacity exceeding 3000cc (HS870324), automobiles with engine capacity between 1500cc and 3000cc (HS870323), bovine animals (HS010290) and fowls (HS010511). Competitors for wooden furniture include China, France, Egypt, Italy and Uganda. The applied average tariff rate for wooden furniture in Eritrea is 25%.

Competitive suppliers of automobiles in the two categories mentioned above in Eritrea’s market are Japan, German, Italy, USA and Saudi Arabia. The average applied tariff rate for engines exceeding 3000cc is 25% while that of engines in the range of 1500cc to 3000cc is 19.2%. Egypt and the Netherlands are the major competing suppliers of fowls to Eritrea.

If transport corridors could be improved, there is scope for Zimbabwe to increase its agricultural trade with Eritrea given its competitive advantage in the sector. Given the current efforts to revitalise the motor assembly industry, Zimbabwe can equally find innovative ways of exploring the Eritrean market.

4.5.3 Zimbabwe’s Offensive interest in DRC based on the country’s top five exports

Table 11: Zimbabwe’s top five exports to DRC in 2011.

HS Code	Description
270400	Coke&semi-coke of coal, and lignite
750110	Nickel mattes
240220	Cigarettes containing tobacco
040700	Eggs, bird, in shell, fresh, preserved or cooked
170490	Sugar confectionery nes (including white chocolate),not containing cocoa

Zimbabwe has been a top supplier of Coke & semi-coke of coal and lignite (HS 270400) between 2008 and 2012. In 2011 Zimbabwe had a market share of 99% for this product. South Africa and Zambia are the country‘s key competitors for the same product market. The country registered a total growth in export value of 23% between 2008 and 2012. Such growth shows that there is scope for the country to export more to DRC. DRC charges 10% tariff rate for this product from all of its competitors.

Zimbabwe is the only country that supplied the Nickel mattes (HS 750110) between 2008 and 2012. The supply of this product was however ad hoc and done in 2011. There is potential to supply more as the market is ready.

Table 12: Coke & semi-coke of coal, and lignite (HS 270400) (US$ 000)

Exporters	Imported value in 2008	Imported value in 2009	Imported value in 2010	Imported value in 2011	Imported value in 2012
Total	20,489	10,652	26,210	15,431	15,958
Zimbabwe	9,318	6,932	20,885	14,740	15,947
Belgium	30	28	56	16	10
South Africa	9,005	3,638	5,150	615	1
Lebanon	0	1	0	1	0
Botswana	0	3	0	0	0
United Republic of Tanzania	4	0	0	0	0
Zambia	2,132	50	119	59	0

Source: ITC Trade Map

While Zimbabwe exports Cigarettes containing tobacco (HS 240220) to DRC, it faces stiff competition from Tanzania and, Kenya and to a less extent from South Africa. Tanzania's market share has been growing from around US$1.7 million in 2009 to aroundUS$9 million in 2012. In 2011 Tanzania had 83% market share followed by Kenya and Zimbabwe with 8% and 6% market share respectively. Zimbabwe is charged an equivalent of 81.9% ad valorem tariff as compared to its competitors that are charged 20% tariff rate. The country can maintain its market share given its comparative advantage in the production of tobacco. However, Zimbabwe stands to benefit more from the export of tobacco in Angola if it is able to sell it duty free under the TFTA arrangement in this currently heavily protected market.

Zimbabwe had been facing stiff competition in the export of Eggs, bird, in shell, fresh, preserved or cooked (HS 0407000). Belgium, Brazil, Netherlands, Ukraine, and Zambia had a market share of 36%, 18%, 18%, 14%, and 4% respectively. DRC applies a tariff rate of 12.5% to Zimbabwe‘s competitors whilst it applies and ad valorem equivalent of 40% to Zimbabwe's exports on the same product.

Whilst Sugar confectionery (including white chocolate), not containing cocoa (HS 170490) is among the country's top 5 exports, it does not command a significant market share in DRC. The country faces competition from Kenya (40% market share), Zambia (22%), Brazil (17%), and China (10%). DRC charges 20% tariff on the product from Zimbabwe's competitors while Tobacco, unmanufactured, partly or wholly stemmed or stripped the country charges an ad valorem equivalent of 40% on Zimbabwe.

4.5.4 Zimbabwe's Offensive interest in Angola based on the country's top five exports

Table 13: The following are Zimbabwe's top five exports to Angola in 2011.

HS Code	Description
710221	Diamonds industrial
240220	Cigarettes containing tobacco
240120	Tobacco, unmanufactured, partly or wholly stemmed or stripped
240130	Tobacco refuse
843210	Ploughs

Source: ITC Trade Map

Zimbabwe and Namibia are the only two countries that supplied Diamonds industrial (HS 710221) between 2008 and 2012 with Namibia supplying US$24,000 worth of the exports in 2008 and Zimbabwe supplying US$2.8 million in 2011. Zimbabwe's market share for Cigarettes containing tobacco (HS 240220) was only 12% with South Africa enjoying 68% of the market share, leaving 11% and 7% for Namibia and Portugal respectively. China, Belgium and Hong Kong all had a market share of 1% each. Angola applied a tariff of 30% from Zimbabwe's competitors whilst it charged an ad valorem equivalent of 81.9% for the same product from Zimbabwe.

Zimbabwe faces competition from Brazil, Uganda, and India in exporting Tobacco, unmanufactured, partly or wholly stemmed or stripped (HS 240120). Its export supply was not consistent over the period between 2008 and 2012 as compared to some of its competitors like Brazil. The country's market share for this product fell from 75% to only 15 % between 2010 and 2011. However, the country has a lot of potential to also export this product to Angola if supply can be more consistent.

Zimbabwe faces major competition from Brazil, China and Vietnam in the export of tobacco refuse (HS 240130). In 2012, Zimbabwe's competitors were charged 10% vs 100% charged to Zimbabwe in ad valorem equivalent. Angola imported 50% of its ploughs (HS 843210) from Portugal, 17% from China, 13% from Zimbabwe, 9% from Brazil, and 3% from Namibia. Zimbabwe did not export this product in 2012.

These top products that Zimbabwe export to DRC and Angola are proposed as some of the products to be considered on the country's offensive list when negotiating for deeper market access with the two countries under the TFTA. Zimbabwe has potential to export to the four countries; DRC, Angola, Eritrea and Ethiopia.

4.6 Challenges Zimbabwe is likely to face in the negotiations

- Anticipated challenges Zimbabwe is likely to face during the negotiations include striking a balance between which industries to open up and those to protect given the industrial challenges the country is facing.
- Getting some offers from countries like Angola and DRC will not be so easy given that the countries are not very keen to join the TFTA. Their main argument is that they are emerging out of war and hence need to build and protect their local industries. Interestingly Rwanda emerged from serious internal conflict in 1994 and has pursued a more open approach and reduced barriers to trade.
- Whilst there are potential markets in DRC, the main challenge remains that of negotiation for the removal of incessant non-tariff barriers and corruption, particularly in the DRC market
- The Member States that Zimbabwe will negotiate the TFTA with , often complain of lack of technical expertise to carryout out the negotiations

- Zimbabwe may face the human and financial resources requisite to successfully hold negotiations as attested by the very small budget share the country allocates to regional integration programmes.
- Lack of consultations as in the past has resulted in the country signing regional agreements on standards by the national coordinating structures which may not fully appreciate standards issues, hence undermining the needs of exporters.
- Given that Zimbabwe does not have no policy that addresses issues beyond market access, such as Standards and SPS among others, it will have no basis for negotiations on these issues. Currently the country is rather guided by various pieces of legislation. The country may likely to face challenge in harmonizing SPS, standards TBT regulations due to insufficient human resources capacities, insufficient institutional capacities, incompatible legislation, regulatory, inspection and certification systems.
- The country is likely to face lack of capacity to investigate technical issues prior to the negotiation and these include issues to do with trade remedies as these require a multiplicity of skills. There is lack of appreciation of trade remedies by both government and the private sector. Trade remedies are complex to administer and also there is a risk that trade remedies could be used as a form of protection.
- Challenge of language given that Angola and DRC are not English speaking. This is however more problematic when implementing the FTA when traders are exploring the markets

5. ZIMBABWE'S NEGOTIATING POSITION ON NON TARIFF MEASURES

5.1. Rules of Origin

Current rules do not support small and medium enterprises' active role in regional trade developments. There is, therefore, need for policy makers to push for the design of rules that accommodate small and medium business, under the enlarged TFTA RoO. In addition, the cost of providing the necessary documents to prove origin can be prohibitively high. Brenton *et al* (2005) noted that documentation to prove origin can be around 2-3% or more of the value of the export shipment for companies in developed countries and may be even higher, and possibly prohibitive, in countries where customs mechanisms are poorly developed. There are also considerable technical requirements which at times can be beyond the capabilities of most small and medium business, making it difficult for small business to play their envisaged role in regional integration.

Furthermore, in order to accommodate third parties and improve on intra-regional trade, policy makers may need to consider extending the diagonal cumulation provision beyond members of the bloc. This would help allow non-originating materials from specified third parties outside the FTA. This provision, on the back of EU trade arrangements with many members, has the potential to increase intra-regional trade substantially.

Under the TFTA, Zimbabwe will be negotiating with only four countries. Hence, with regards to RoO, it is recommended that the country would apply the COMESA RoO as these are already significantly similar to the EAC, which would make harmonisation with the enlarged TFTA easy.

5.2 Trade Remedies

Trade remedies are necessary to combat dumping, subsidization and surges in imports that seriously injure the domestic industry but challenges mentioned earlier need to be addressed for them to be effective in the region.

It is pertinent for the region to have trade remedy laws in place before entering into the FTA as this will enable member states to have a buffer against threats to their domestic industries. Trade liberalization often imposes costs of adjustment on uncompetitive industries and incorporation of trade remedies will act as a stop gap measure or pressure release valve when it is necessary to protect the domestic economy from a sudden surge in imports.

The region should adopt a training approach for all countries in the TFTA if they are to be successfully implemented rather than rely only on South Africa and Egypt[40] that are applying

[40] South Africa and Egypt volunteered to train other TFTA members in the area of trade remedies during the 2nd Meeting of the TWG on Trade Remedies and Dispute Settlement held in Entebbe Uganda 28-30 Sept 2013.

trade remedies. The training from these two countries should augment the regional training given that twenty four countries would need to be trained.

Given the challenges Zimbabwe and other TFTA member countries do face in using trade remedies there is need to put in place trade remedy provisions that are not only WTO compliant but are easy to apply and capable of addressing domestic concerns.

Capacity building needs

- Advocacy programmes to explain the benefits and importance of trade remedies in addressing unfair trade practices and fair trade practices that injure TFTA member/partner states industries;
- Need for training on trade remedies – anti-dumping, subsidies, safeguards inclusive of desk training and attachments to countries within and outside the TFTA arranged by the Tripartite Secretariat

5.3 Trade facilitation[41]

As a landlocked country dependent on other countries, Zimbabwe should endeavour to negotiate for the simplification, standardization and harmonization of documentation; formalities and procedures; and improvement of physical infrastructure and facilities; and harmonization of applicable laws and regulations. This will go a long way in reducing the trade transaction costs and complexities encountered in international trade on the part of businesses and at the same time improve the trading environment in the region. This also helps to optimize efficiency and effectiveness in cross border trade.

The Yellow Card insurance scheme obtaining under COMESA should be replicated in the Tripartite region. Any insurance taken in one country would be used in other countries in the FTA, removing the need to insure in every country. The Tripartite FTA arrangement should also replicate the COMESA Bond Guarantee Scheme whereby a transporter takes a bond in which an insurance company or banker is paid money to allow faster movement of goods[42].

Existing gaps and Action items

- Provide information to facilitate communication among trade actors.
- Simplify the movement of people and goods by simplifying documentation e.g. removal of visas.
- Deal diligently with porous borders
- Improve border management system to avoid delays.
- Develop infrastructure e.g. at border post and inland such as roads.

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[41] See Annex 6 for more non tariff measures

[42] http://www.uneca.org/sites/default/files/uploaded-documents/CTRCI-VII/tripartite_comesa_eac_sadc_fta-study-final-report.pdf

6. CONCLUSION AND RECOMMENDATIONS

This study sought to establish the magnitude of impacts for Zimbabwe in joining the proposed TFTA using both qualitative and quantitative techniques. It highlighted Zimbabwe's current commitments and trade flow patterns under the various bilateral and regional trade policy arrangements (SADC and COMESA), as well as the current state of play of negotiations under the TFTA. The study further analysed the country's national tariff structure as well as the tax regimes applied.

In order to assess the market access implications for Zimbabwe in joining the TFTA, the study employed the TRIST model. Zimbabwe's trade commitments with SADC and COMESA in year 2011 were used as a basis to assess the potential impact of the TFTA trade reform on Zimbabwe's imports and revenue, hence the following country groups were defined in the model; COMESA FTA, SADC FTA (excluding RSA) and RSA only. The model identified the potential trade and revenue impacts on the Zimbabwe's economy under various scenarios (full liberalisation under the COMESA and SADC FTAs (inclusive of petroleum products), full liberalization under the COMESA and SADC FTA (exclusive of petroleum products), as well as full liberalisation under the TFTA with DR Congo and Ethiopia.

Scenarios 1 and 2 basically showed the disaggregated impacts on revenue and imports based on Zimbabwe's regional trade policy commitments within SADC and COMESA during the year 2011. Scenarios 1 and 2 measured the impact of trade liberalisation under the TFTA in terms of revenue and import changes that could potentially arise if the existing COMESA and SADC FTAs are fully consolidated. Scenario 1 assumed full COMESA and SADC FTAs (inclusive of petroleum products). The study estimated that the country would potentially experience a cumulative increase in imports (0.6%) significant tariff revenue losses (52%) and a fall in overall trade taxes (13.2%). Similarly, simulation of Scenario 2 where, petroleum products were removed from the data set, resulted in a cumulative impact of a rise in imports (0.7%), a significant fall in revenue (51.9%) and an overall decline in total trade taxes (18,6%). A major finding was that the greatest impact would emanate from Zimbabwe's full implementation of its SADC commitments with South Africa and not from the rest of SADC and COMESA member states given that it is the country's major trading partner. In 2011, about 57.8% of Zimbabwe's imports originated from South Africa.

Scenario 3, shows that the incremental impact Zimbabwe will experience on imports and trade revenue when it bilaterally opens up only to the non-COMESA/SADC FTA countries (DRC and Ethiopia) under the TFTA would be insignificant, as represented by approximately 0% increase in imports, and similar decline in customs revenue and overall trade taxes. If Zimbabwe is to fully liberalize its trade with DR Congo and Ethiopia (non-COMESA/SADC FTA members) and maintain its SADC/COMESA *Acquis* with the other remaining FTA countries, the country would experience insignificant changes (0%) in imports and total

revenue losses. Apparently these are the only two countries that Zimbabwe traded with in 2011.

The overall results from Scenarios 1, 2 and 3 show that the welfare and revenue adjustments Zimbabwe may experience will stem from fully implementing the existing SADC and COMESA Agreements and not through joining the TFTA.

Although, the study reveals that there is little to be gained in terms of incremental market access for Zimbabwe through the TFTA, potential export displacement remains a possibility in the major TFTA trading partners (South Africa, Egypt and EAC). Given that South Africa is actively pursuing its interests with key trading partners in COMESA i.e., with EAC and Egypt, it's FTAs with these countries could potentially pose export displacement threats to Zimbabwe. Zimbabwe will not negotiate market access with these countries. Trade displacement analysis shows that, Zimbabwe's exports into South Africa would potentially face stiff competition from EAC and Egyptian exports into the same market. Similarly, the country's goods would be competing with South African and Egyptian goods in the EAC market. Furthermore, Zimbabwean products would potentially compete for market share in the Egyptian market from EAC and South African goods.

As a policy option, the country should proceed to exchange its tariff offers with the four non-FTA members (Angola, Eritrea, Ethiopia, and DRC) under the proposed TFTA as the results indicated that there would be insignificant import increases and trade revenue losses. Furthermore, in order to avoid it exports displacement in the major TFTA markets (South Africa, EAC and Egypt), there is need to intensify efforts on value addition on the country's exports in the region in order to withstand competition.

Zimbabwe needs to focus on competitiveness issues and not just trade. Weaknesses in the policy environment and institutional rigidities need to be address to improve the investment climate. Restrictive policies contribute reduce investor confidence and the country's capacity to attract new capital to improve industrial production and value added exports. Deteriorating infrastructure and the limited access to long term lines of credit constrain local companies produce for the export markets. Zimbabwe also needs to focus on trade in services, which is critical in improving competitiveness and export diversification.

From the potential increases in imports, resulting from full liberalization with DRC and Ethiopia under the TFTA, it can be shown that, tariff reforms alone are unlikely to result in significant trade and competitive gains. Regional integration could be deepened further within the TFTA if efforts are made to eliminate non-tariff barriers (cumbersome customs procedures, roadblocks and multiple documentation, unnecessary SPS and technical regulations on imports), infrastructural development and as well adoption of measures to promote industrialization

The study further analyzed other non-market access issues such as technical barriers to trade, SPS, Non-Tariff barriers, Rules of Origin, Trade Remedies and trade facilitation that could

hinder trade even if the markets are opened up. The major finding on trade remedies was the limited use of Trade Remedies laws within the TFTA due to lack of capacity and expertise to prove unfair trade practices such as dumping. Zimbabwe needs to strengthen its institutional capacity in order to invoke such laws when necessary for preserving the local industries. Harmonization and simplification of rules of origin especially the SADC RoO which have been noted to be stringent and constraining trade was also highlighted. Further, the need for harmonizing standards (i.e. axle weights) SPS and technical regulations so that they do not become barriers to trade in the region were also emphasized.

Furthermore, the study considered the capacity needs to be addressed in the private sector and government to enhance trade in electrical, clothing, leather, sugar sectors and identified a number of challenges facing private sector in electrical, clothing, leather, sugar sectors that need to be addressed if the industry is to boost its export competitiveness and potential in the region. The challenges include liquidity constrains, high import tariffs on raw materials, increased costs of wages; inconsistent utility suppliers (water and electricity), logistical issues given the unreliable railway system, stiff competition from cheap imports; porous borders and shortages of raw materials.

6.1 Recommendations on national trade policy

Descriptive analysis of Zimbabwe's 2011 imports revealed that the country is to a large extent not utilising its regional and bilateral trade regimes. This is evidenced by the fact that most of Zimbabwe's trade (87%) was conducted under the MFN regime, while 8% was done under the SADC trade protocol, 1% was conducted under COMESA and the remainder was conducted under the bilateral agreements. One of the major reasons for this is that Zimbabwe is not implementing the SADC tariff rates on imports from South Africa. There is need for the country to address tariff revenue issues before it can remove tariffs on imports from South Africa. A further investigation into why most of the trade comes through the MFN is recommended.

6.2 Recommendations on tariff liberalization in the TFTA

Given the low production capacity and balance of payments challenges the country is currently facing and the major finding that Zimbabwe is expected to lose minimal revenue by joining the TFTA, the country will not need another list of sensitive products under the forthcoming TFTA except for the one already in place under SADC. Zimbabwe industry needs to become more competitive as it is already losing market share in regional markets. These negotiations will also be linked to the ongoing discussions within SADC on a regional industrial policy. The issue for Zimbabwe is how it phases down tariffs in SADC against SA.

6.3 Recommendations on curbing fiscal trade revenue losses

Zimbabwe has too many trade tax exemptions some of which are not justified on the need to foster a competitive strategy for the country. In 2011, trade tax revenue collected was $701 million against the statutory tariff revenue (what could have been collected in revenue) of $1 billion, thus registering a 30% net loss in total trade revenue in that year. The country therefore needs to cut on its trade tax exemptions. This will go a long way in minimizing the negative impacts of trade liberalization in the TFTA if exemption cuts are done sequentially with trade

liberalization. Reduction in exemptions will offset the impact of the reduction in revenue due to a trade reform.

6.4 Recommendations on countering export displacement

In order to counter potential displacement of its exports in the regional markets, Zimbabwe should emphasize on value addition instead of concentrating in the exports of primary commodities particularly from agriculture and mining sectors among others, as shown by its top ten exports to SADC and COMESA. Reducing trade costs and improving the business enabling environment will actively promote export diversification and encourage increased linkages. This can go a long way in not only catering for women who are largely employed in the agricultural sector but in increasing export earnings along the value chains of export products. Moreover given that Zimbabwe has comparative advantage in these sectors, value addition of primary exports from agriculture and mining sectors will significantly reduce the high poverty levels through employment creation.

6.5 Recommendations from private sector on industrial growth and competitiveness

The Zimbabwe private sector proposed strategies to improve their production capacity to export more into the tripartite region.

- ✓ To work with Government so that they are fully informed of what needs to be implemented to review local industry strategies in Zimbabwe.
- ✓ To engage Government to seriously consider the above proposals to ensure the long term sustainability of local Industry.
- ✓ To continuously appraise Government of the challenges and opportunities that local industry is facing for Government to design appropriate policy intervention.
- ✓ To work with Government to identify products being smuggled into Zimbabwe without the correct duties and taxes.
- ✓ To work with Government to implement policies at the Ports of Entry to ensure all imports are correctly priced to avoid the under valuing of imports to protect Government revenue inflows and also protect local Industry.
- ✓ To engage with Government to develop a sound anti-dumping policy that is enforceable. This will ensure that Zimbabwe is not flooded with sub-standard products.
- ✓ Products that are underpriced due to dumping practices occur during economic recessions and down turn in countries exporting into Zimbabwe.
- ✓ To invest in new production equipment that leverages private sector competitiveness and enables them to enter into export markets and increase competitiveness on the local market.
- ✓ To increase production utilisation that can allow industry to compete on the export markets.

- ✓ To improve the product appearance and Quality of industry products so that consumers prefer local products rather than imported products.

- ✓ To produce ozone friendly products and be part of the process of improving the environment.

- ✓ To support and work with local companies that promotes local products i.e. Buy Zimbabwe Campaign and Marketing Strategy and ZimTrade.

- ✓ To support downstream local industries as much as possible.

- ✓ To be part of the solutions to Zimbabwe unemployment and foreign currency generation.

6.6 Government strategies for private sector growth

In order to make Zimbabwe more competitive in TFTA the following steps are recommended:

- Provide long-term capital for the productive sector.
- Create special economic zones which provide incentives particularly for manufacturing exporters.
- Invest in research and innovation to improve productivity and quality of products.
- Provide adequate enablers- e.g. electricity and water at affordable rates.
- Improve transport infrastructure.
- Put in place tariff policies that support and encourage local production e.g. low duty for raw materials.

6.7 Recommendations on key issues to push for in the TFTA

- ✓ Zimbabwe to push for a Sugar Protocol under the TFTA. Further, the government should push for sugar institutional structures that are similar to those in SADC where there is a Technical Expert Group and a TNF where sugar issues are exclusively deliberated on. As sugar is a highly volatile product, the proposed protocol should clearly state that no Member State should destabilize sugar production in the region.
- ✓ Zimbabwe to call for harmonization of procedures governing the movement of goods and services as currently documents vary from country to country with some posing as non-tariff barriers.
- ✓ Zimbabwe to push for simple rules of origin under the TFTA as those of the COMESA trade regime. In order to improve the ROO under the TFTA, there is need for monitoring of ROO conferring process to prevent non qualifying products to get preferential market access. Trade negotiators must advocate for full cumulation within the TFTA as this will foster growth of trade and development. Rules of origin that vary across products and agreements add considerably to the complexity and costs of

participating in and administering trade agreements. Simple ROO are more likely to stimulate trade and investment in the region by providing producers with flexibility in sourcing their inputs without compromising the ability to prevent trans-shipment of goods from third countries which are not members of the agreement. ROO will be the major obstacle to reaching an agreement between the EAC, /Egypt and SACU. If EAC/Egypt and SACU agree on any ROO that is more liberal than under SADC it should be extended to all parties. Furthermore, in order to accommodate third parties and improve on intra-regional trade, TFTA rules of origin may need to consider extending the diagonal cumulation provision beyond just members of the bloc. This would help allow non-originating materials from specified third parties outside the FTA.

- ✓ Zimbabwe to call for a simplified trade regime for small traders under the TFTA with Angola, DRC, Ethiopia and Eritrea

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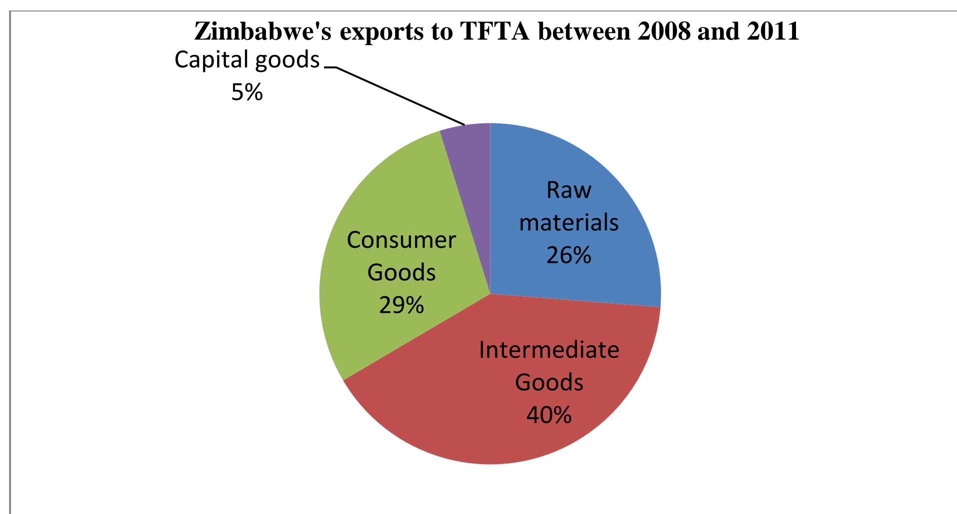
Annexes

Annex 1: Composition of Zimbabwe's trade with TFTA countries as well as Angola, DRC, Eritrea and Ethiopia

Annex 1a: Composition of Zimbabwe's trade with TFTA countries

Figure 10: Composition of Zimbabwe's exports to 25 COMESA-SADC-EAC countries



Source: UN Comtrade Database

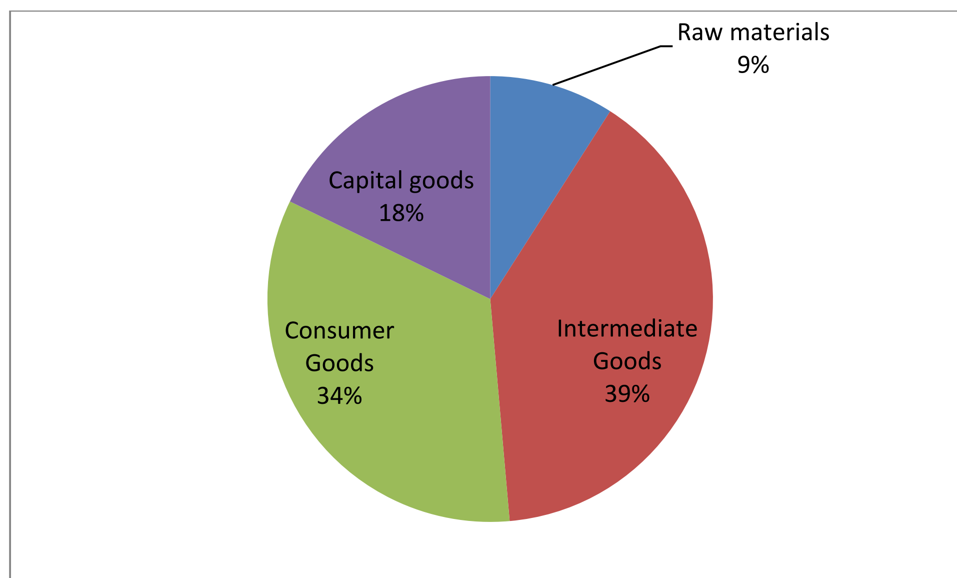
Table 14: Zimbabwe Top 20 Exports to TFTA (Thousands USD) based on 2011data

HS code	Product Description	2008	2009	2010	2011
'750110	Nickel mattes	149075	250399	440715	528321
'490700	Unused postage,revenue stamps;cheque forms,banknotes,bond certific,etc	63231	435307	558639	392780
'240120	Tobacco, unmanufactured, partly or wholly stemmed or stripped	7462	32156	53032	357581
'260400	Nickel ores and concentrates	132699	170513	269792	345825
'710813	Gold in oth semi-manufactd form n-monetary(inc gold platd w platinum)	8056	99912	287177	308056
'520100	Cotton, not carded or combed	17915	46875	39034	160668
'711011	Platinum unwrought or in powder form	0	0	0	100410
'240220	Cigarettes containing tobacco	24541	31801	41455	46010
'170111	Raw sugar, cane	12312	71487	48515	37935
'710221	Diamonds industrial unworked or simply sawn, cleaved or bruted	0	0	0	31394
'270400	Coke&semi-coke of coal,lignite o peat,agglomeratd o not,retort carbon	15687	13663	36207	24631
'240110	Tobacco, unmanufactured, not stemmed or stripped	29	29	0	14895
'252329	Portland cement nes	12569	24377	8694	14493
'170199	Refined sugar, in solid form, nes	2207	0	0	12020
'481910	Cartons, boxes and cases, of corrugated paper or paperboard	6851	8091	11242	9140
'440710	Lumber, coniferous (softwood) 6 mm and thicker	13333	13777	8366	8657
'410320	Reptile skins, raw	215	83	38	8625
'720241	Ferro-chromium containing by weight more than 4% of carbon	11815	6158	22359	8476
'251612	Granite, merely cut, by sawing or otherwise, into blocks etc	553	582	1144	8088
'140420	Cotton linters	581	93	0	8063

Source: *ITC Trade Map Database*

Composition of Zimbabwe's imports to 25 COMESA-SADC-EAC countries

Figure 11: Zimbabwe's imports from TFTA between 2008 and 2011



Source: UN Comtrade Database

Table 15: Zimbabwe top 20 imports from TFTA (Thousands USD) based on 2011 data

HS Code	Product label	2008	2009	2010	2011
'310590	Fertilizers nes, in packages not exceeding 10 kg	3112	8847	25056	1856703
'271019	Other petroleum oils and preparations	201840	177312	309725	210950
'750110	Nickel mattes	107884	138621	150181	125419
'151219	Sunflower-sed/safflower oil&their fractions refind but nt chem modifid	32719	73743	94504	122518
'100590	Maize (corn) nes	158883	80848	43754	114830
'870421	Diesel powered trucks with a GVW not exceeding five tonnes	88991	51306	80935	99793
'110100	Wheat or meslin flour	7477	37661	68144	85739
'310559	Fertilizers containg nitrogen & phosphorus,nes,in pack weighg</=10kg	0	822	6948	83334
'271011	Light petroleum oils and preparations	43578	63497	122415	77845
'240110	Tobacco, unmanufactured, not stemmed or stripped	15760	23172	57421	64981
'271600	Electrical energy	25820	99465	51495	54094
'150790	Soya-bean oil and its fractions, refined but not chemically modified	2148	1104	29368	52977
'340119	Soap&orgn surf prep,shapd,nes;papers&nonwovens impreg w soap/prep,nes	11073	23335	38921	52033
'999999	Commodities not elsewhere specified	56640	48663	115223	41134
'170199	Refined sugar, in solid form, nes	1004	15047	22754	32634

'240120	Tobacco, unmanufactured, partly or wholly stemmed or stripped	15887	8023	22676	26895
'210690	Food preparations nes	4674	10800	23297	26516
'100110	Durum wheat	0	9873	30404	26335
'870323	Automobiles w reciprocatg piston engine displacg > 1500 cc to 3000 cc	41131	12040	22587	24115
'100640	Rice, broken	4742	7199	9161	23796

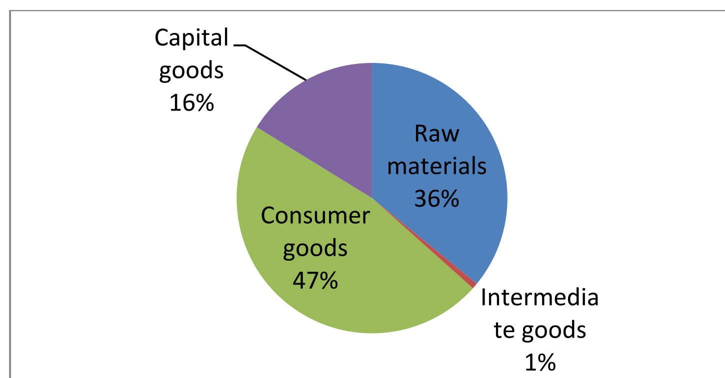
'170199	Refined sugar, in solid form, nes	1004	15047	22754	32634
'240120	Tobacco, unmanufactured, partly or wholly stemmed or stripped	15887	8023	22676	26895
'210690	Food preparations nes	4674	10800	23297	26516
'100110	Durum wheat	0	9873	30404	26335
'870323	Automobiles w reciprocatg piston engine displacg > 1500 cc to 3000 cc	41131	12040	22587	24115
'100640	Rice, broken	4742	7199	9161	23796

Source : UN Comtrade Database

Annex 1b: Zimbabwe's Trade Flows with Angola, Eritrea, Ethiopia and DRC

Angola

Figure 12: Zimbabwe's exports to Angola between 2008-2011



Source: UN Comtrade Database

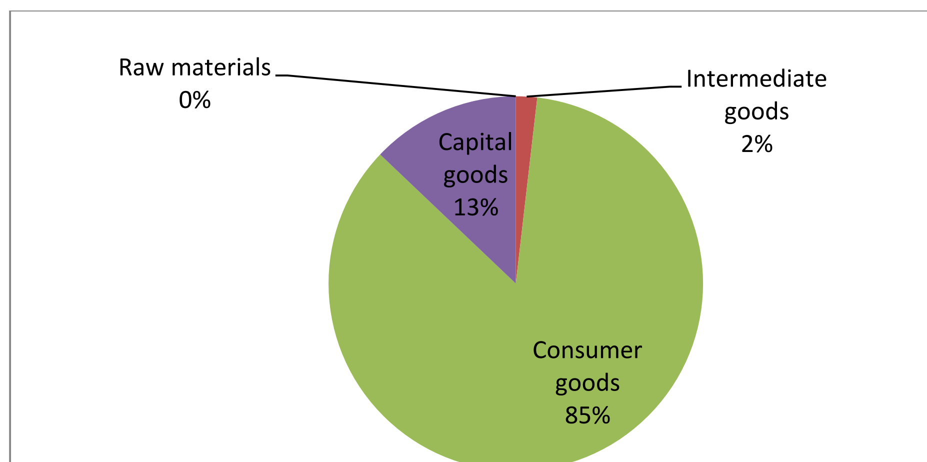
Zimbabwe Exports to Angola

Table 16: Zimbabwe's Top Exports to Angola , 2011 Values in US$ Thousands

Product Code.	Product	Value in Thousand US$
'24	Tobacco and manufactured tobacco substitutes	5361
'71	Pearls, precious stones, metals, coins, etc	2763
'84	Machinery, nuclear reactors, boilers, etc	360
'04	Dairy products, eggs, honey, edible animal product nes	264
'17	Sugars and sugar confectionery	67
'19	Cereal, flour, starch, milk preparations and products	29
'10	Cereals	16

Source : *ITC Trade Map Database*

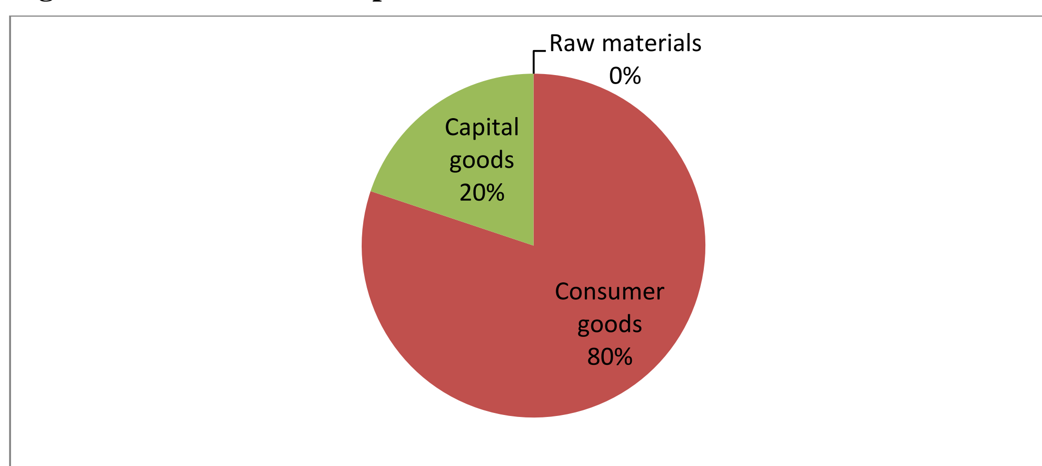
Figure 13: Zimbabwe Imports from Angola between 2008-2011



Source: UN Comtrade Database

Eritrea

Figure 14: Zimbabwe's Exports to Eritrea



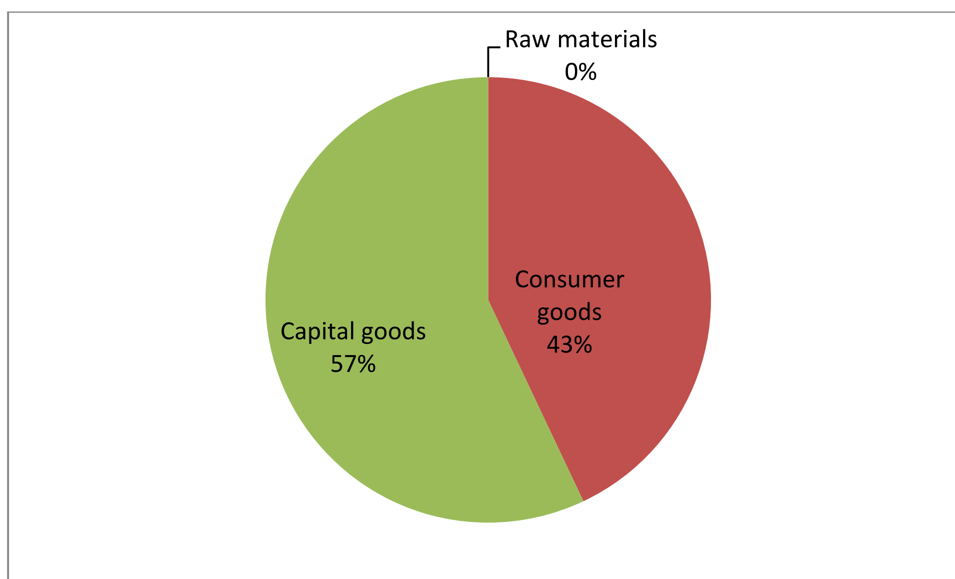
Source: UN Comtrade Database

Table 17: Zimbabwe Exports to Eritrea

Product Code	Product	Value in thousand $US
'87'	Vehicles other than railway, tramway	35
'94'	Furniture, lighting, signs, prefabricated buildings	23
'91	Clocks and watches and parts thereof	2
'33	Essential oils, perfumes, cosmetics, toiletries	1
'39	Plastics and articles thereof	1

Source: *ITC Trade Map Database*

Figure 15: Zimbabwe's Imports from Eritrea



Source: UN Comtrade Database

Zimbabwe Imports from Eritrea

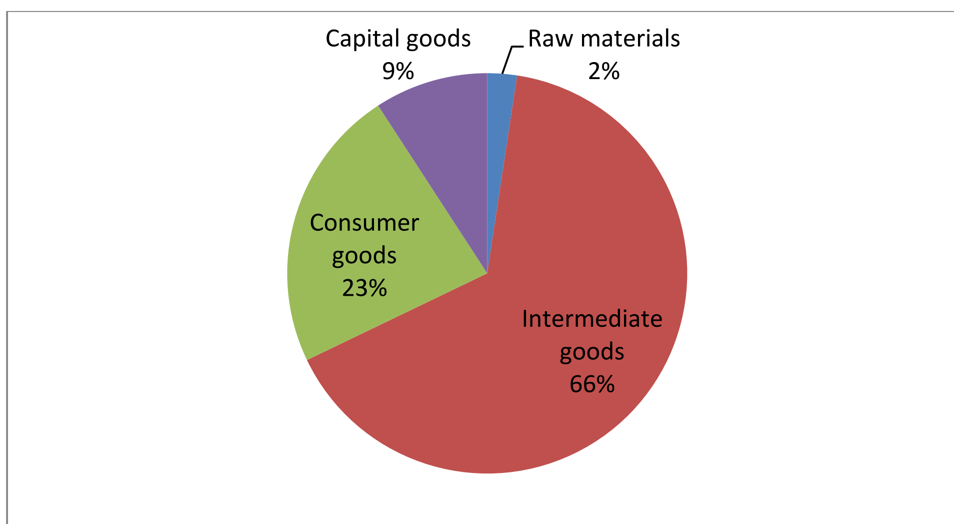
Table 18: Zimbabwe's Top Imports from Eritrea, 2011 Values in US$ Thousands

Product Code.	Product	Value in Thousand US$
'84	Machinery, nuclear reactors, boilers, etc	1

ITC Trade Map Database

Ethiopia

Figure 16: Zimbabwe's Exports to Ethiopia



Source: UN Comtrade Database

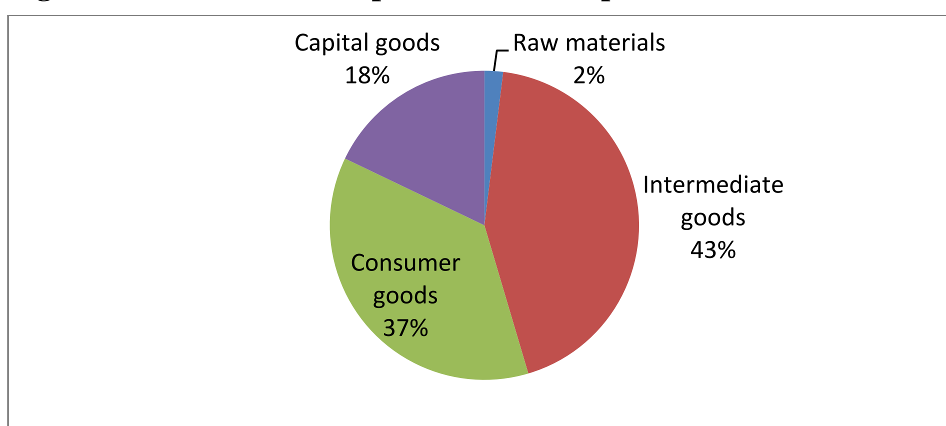
Zimbabwe Exports to Ethiopia

Table 19: Zimbabwe's Top Exports to Ethiopia, 2011 Values in US$ Thousands

Product Code.	Product	Value in Thousand US$
'84	Machinery, nuclear reactors, boilers, etc	112
'10	Cereals	12
'94	Furniture, lighting, signs, prefabricated buildings	5
'42	Articles of leather, animal gut, harness, travel goods	1

ITC Trade Map Database

Figure 17: Zimbabwe's Imports from Ethiopia



Source: UN Comtrade Database

Zimbabwe Imports from Ethiopia

Table 20: Zimbabwe’s Top Imports from Ethiopia, 2011 Values in US$ Thousands

Product Code.	Product	Value in Thousand US$
'41	Raw hides and skins (other than furskins) and leather	66
'06	Live trees, plants, bulbs, roots, cut flowers etc	7
'85	Electrical, electronic equipment	3
'64	Footwear, gaiters and the like, parts thereof	2
'99	Commodities not elsewhere specified	2
'39	Plastics and articles thereof	1
'84	Machinery, nuclear reactors, boilers, etc	1
'87	Vehicles other than railway, tramway	1

Source: ITC Trade Map Database

Table 21: Zimbabwe’s imports from Angola DRC Eritrea and Ethiopia (Thousands USD)

HS code	Product Description	2008	2009	2010	2011
'740311	Copper cathodes and sections of cathodes unwrought	0	0	0	1832
'260500	Cobalt ores and concentrates	0	0	0	149
'100510	Maize (corn) seed	0	0	0	98
'283711	Cyanides and cyanide oxides of sodium	0	0	0	64
'870120	Road tractors for semi-trailers (truck tractors)	0	0	26	61
'410791	Full grains leather "incl. parchment-dressed leather", unsplit, of the	0	0	41	49
'790310	Zinc dust	0	0	0	45
'842290	Pts of dish washing,cleang or dryg container,packg or wrappg mach	0	0	0	44
'380892	Fungicides	0	0	0	30
'870520	Mobile drilling derricks	0	0	0	25
'310230	Ammonium nitrate,whether or not in aqeuous sol in pack weighg > 10 kg	0	0	0	21
'721790	Wire of iron or non-alloy steel, nes	0	0	2	21
'410792	Grain splits leather "incl. parchment-dressed leather", of the portion	0	0	0	17
'291811	Lactic acid, its salts and esters	0	0	0	13
'300450	Vitamins and their derivatives,in dosage	0	0	0	13
'870423	Diesel powered trucks with a GVW exceeding twenty tonnes	0	0	0	10
'720840	Hot roll iron/steel, not coil >600mm relief pattern	0	0	0	9
'392329	Sacks and bags (including cones) of plastics nes	0	0	0	8
'720852	Hot roll iron/steel, not coil >600mm x 4.75-10mm	0	0	0	8
'060290	Plants live, nes	0	0	0	6

Source: *ITC Trade Map Database*

Table 22: Zimbabwe’s exports with Angola DRC Eritrea and Ethiopia (Thousands USD)

HS code	Product Description	2008	2009	2010	2011
'270400	Coke&semi-coke of coal,lignite o peat,agglomeratd o not,retort carbon	9318	6932	20885	14740

'240220	Cigarettes containing tobacco	2293	4840	4143	3259
'710221	Diamonds industrial unworked or simply sawn, cleaved or bruted	0	0	0	2763
'240120	Tobacco, unmanufactured, partly or wholly stemmed or stripped	0	0	550	2295
'750110	Nickel mattes	0	0	0	1924
'040700	Eggs, bird, in shell, fresh, preserved or cooked	616	235	283	600
'240130	Tobacco refuse	0	13	85	373
'843210	Ploughs	1217	933	147	360
'170490	Sugar confectionery nes (includg white chocolate),not containg cocoa	241	212	546	329
'731010	Tanks,casks,drums,cans,boxes&sim contr,i or s,capac >=50L but <300L	64	26	0	204
'850211	Generatg sets,diesel/semi-diesel engines,of an output not exced 75 KVA	0	163	497	153
'843780	Mach f milling/workg of cereals/ drid leguminous nes veg exc farm-type	0	0	0	112
'551110	Yarn,>/=85% of synthetic staple fibres, o/t sewing thread, put up	173	173	222	106
'401012	Conveyor belt textile reinforced vulcanised rubber	0	0	10	66
'391723	Tubes, pipes and hoses, rigid; of polyvinyl chloride	28	1	22	59
'940360	Furniture, wooden, nes	29	51	30	42
'190531	Sweet biscuits	0	0	24	29
'270112	Bituminous coal, whether or not pulverised but not agglomerated	386	179	14	29
'100510	Maize (corn) seed	1	0	12	28
'846721	Drills of all kinds for working in the hand, with self-contained elect	0	0	0	25

Source : *ITC Trade Map Database*

Table 23: Top 10 exports to Egypt

South Africa			Zimbabwe			EAC		
Product code	Product label	2012	Product code	Product label	2012	Product code	Product label	2012
'84	Machinery, nuclear reactors, boilers, etc	25266	'07	Edible vegetables and certain roots and tubers	45	'09	Coffee, tea, mate and spices	280490
'40	Rubber and articles thereof	7831	'33	Essential oils, perfumes, cosmetics, toileteries	12	'24	Tobacco and manufactured tobacco substitutes	39019
'51	Wool, animal hair, horsehair yarn and fabric thereof	6854	'85	Electrical, electronic equipment	5	'26	Ores, slag and ash	4586
'39	Plastics and articles thereof	6302	'86	Railway, tramway locomotives, rolling stock, equipment	0	'53	Vegetable textile fibres nes, paper yarn, woven fabric	1284
'85	Electrical, electronic equipment	6197	'87	Vehicles other than railway, tramway	0	'40	Rubber and articles thereof	1198
'38	Miscellaneous chemical products	4722	'88	Aircraft, spacecraft, and parts thereof	0	'39	Plastics and articles thereof	559
'87	Vehicles other than railway, tramway	4515	'89	Ships, boats and other floating structures	0	'48	Paper and paperboard, articles of pulp, paper and board	559

'74	Copper and articles thereof	4481	'90	Optical, photo, technical, medical, etc apparatus	0	'90	Optical, photo, technical, medical, etc apparatus	361
'72	Iron and steel	4148	'91	Clocks and watches and parts thereof	0	'72	Iron and steel	360
'29	Organic chemicals	3492	'92	Musical instruments, parts and accessories	0	'20	Vegetable, fruit, nut, etc food preparations	297

Table 24: Top ten exports to South Africa

Egypt			Zimbabwe			EAC		
Product code	Product label	2012	Product code	Product label	2012	Product code	Product label	2012
'71	Pearls, precious stones, metals, coins, etc	469866	'71	Pearls, precious stones, metals, coins, etc	788418	'71	Pearls, precious stones, metals, coins, etc	940595
'27	Mineral fuels, oils, distillation products, etc	9350	'24	Tobacco and manufactured tobacco substitutes	768198	'84	Machinery, nuclear reactors, boilers, etc	18345
'32	Tanning, dyeing extracts, tannins, derivs,pigments etc	4686	'26	Ores, slag and ash	364137	'09	Coffee, tea, mate and spices	13190
'08	Edible fruit, nuts, peel of citrus fruit, melons	4046	'75	Nickel and articles thereof	357085	'07	Edible vegetables and certain roots and tubers	6570
'28	Inorganic chemicals, precious metal compound, isotopes	3897	'52	Cotton	211938	'85	Electrical, electronic equipment	6472
'39	Plastics and articles thereof	3736	'41	Raw hides and skins (other than furskins) and leather	30861	'06	Live trees, plants, bulbs, roots, cut flowers etc	3285
'20	Vegetable, fruit, nut, etc food preparations	3305	'23	Residues, wastes of food industry, animal fodder	17904	'88	Aircraft, spacecraft, and parts thereof	3025
'73	Articles of iron or steel	2946	'74	Copper and articles thereof	14062	'39	Plastics and articles thereof	2874
'54	Manmade filaments	2026	'09	Coffee, tea, mate and spices	12326	'24	Tobacco and manufactured tobacco substitutes	2658
'30	Pharmaceutical products	1914	'27	Mineral fuels, oils, distillation products, etc	11927	'90	Optical, photo, technical, medical, etc apparatus	2480

Table 25: Exports to EAC

South Africa			Zimbabwe			Egypt		
Product code	Product label	2012	Product code	Product label	2012	Product code	Product label	2012
'72	Iron and steel	339087	'04	Dairy products, eggs, honey, edible animal product nes	267	'48	Paper and paperboard,	69402

							articles of pulp, paper and board	
'84	Machinery, nuclear reactors, boilers, etc	248170	'28	Inorganic chemicals, precious metal compound, isotopes	171	'17	Sugars and sugar confectionery	68452
'85	Electrical, electronic equipment	155605	'01	Live animals	131	'34	Soaps, lubricants, waxes, candles, modelling pastes	44857
'87	Vehicles other than railway, tramway	139412	'72	Iron and steel	128	'39	Plastics and articles thereof	32969
'48	Paper and paperboard, articles of pulp, paper and board	67335	'33	Essential oils, perfumes, cosmetics, toileteries	116	'85	Electrical, electronic equipment	29340
'39	Plastics and articles thereof	59020	'44	Wood and articles of wood, wood charcoal	102	'72	Iron and steel	19981
'73	Articles of iron or steel	57065	'42	Articles of leather, animal gut, harness, travel goods	100	'70	Glass and glassware	19621
'90	Optical, photo, technical, medical, etc apparatus	46278	'48	Paper and paperboard, articles of pulp, paper and board	57	'27	Mineral fuels, oils, distillation products, etc	15833
'38	Miscellaneous chemical products	43760	'39	Plastics and articles thereof	37	'19	Cereal, flour, starch, milk preparations and products	9567
'27	Mineral fuels, oils, distillation products, etc	40404	'84	Machinery, nuclear reactors, boilers, etc	36	'73	Articles of iron or steel	9383

Annex 2: Duty Reduction on Selected Products in 2011

The gazetting of Statutory Instrument 191 of 2010 and 189 of 2010 introduced a number of legislation changes which are meant to incentivise the formalisation of businesses, thereby enhance revenue collection as well as improve consumer welfare through access to affordable finished goods with sufficient warrantee. With effect from 1 January 2011 the rates of duty have been reduced on the following selected products as follows:

Item	Duty rates up to Dec 2010	Duty Rates with effect from 1 January 2011
Blankets	40% + $2.50 / kg	40% + $1.50 / kg
New Clothing	40% + $2.50 / kg	40% + $1.50 / kg
Used clothing & footwear	$20 / kg	$5 / kg
Travel Bags	40% + $5 / kg	40% + % $2.50 / kg
New Footwear	40% + $5 / pair	40% + $1 / pair
Generators	5%	0%
Packaging Material	15%	10%
Poultry Feeds	10%	5%
Motor vehicles exceeding 1500cc	40% - 60%	40%
Selected household goods	40%	30%
Selected medical equipment	40%	10%
Selected landscaping equipment	40%	25%

Source : http://www.zimra.co.zw/index.php?option=com_content&view=article&id=1179&Itemid=135

For specific details please refer to Statutory Instrument 191 of 2010

Suspension of Duty on importation of Basic Food stuffs [SI 191 of 2010]

In terms of Statutory Instrument 191 of 2010 the suspension of duty on basic food stuffs has been extended further to 30 June 2011. Note that laundry soap and tooth paste are now liable to duty and VAT on importation.

Commodity code	Description
1006.1000	Rice in the husk (paddy or rough)
1006.2000	Husked (brown) rice
1006.3000	Semi-milled or wholly milled rice whether or not polished or glazed.
1006.4000	Broken Rice
1101.0000	Wheat or meslin flour
1102.1000	Rye flour
1102.2000	Maize (corn) flour
1102.9000	Other flour
1103.1300	Of maize
1105.1000	Flour of potatoes
1106.1000	-Flour of the dried leguminous vegetables of heading. 07.13
1106.2000	-Flour of sago or of roots or tubers of heading No. 07.14
1106.3000	-Flour of the products of Chapter 8
1507.9010	Soya-bean Cooking oil
1508.9010	Groundnut Cooking oil
1509.9010	Olive Cooking oil
1510.0010	Olive Cooking oil whether or not refined but not chemically modified
1511.9010	Palm Cooking oil
1512.1910	Sunflower and safflower seed Cooking oil
1512 2910	Cotton seed Cooking oil
1513.1910	Coconut Cooking oil
1513.2910	Palm kennel or babassu Cooking oil
1515.2910	Maize Cooking oil
1515.5010	Sesame Cooking oil
1515.9020	Vegetable Cooking oil
2501.0010	Salt in immediate packings of a content less than 5kgs
2501.0090	Salt in other packing which is 5kgs and above
3304.9910	Preparations for sunscreen or sun tan (other than medicaments).

Source : http://www.zimra.co.zw/index.php?option=com_content&view=article&id=1179&Itemid=135

Annex 3: List of Interviewees

Government Institutions

Institution	Contact person	Date interviewed

1. Competition and Tariff Commission	The Director **Mr. A.J Kububa**	Questionnaire filled on Trade Remedies but could still interview them
2. Ministry of Agriculture Irrigation and Mechanisation	National Enquiry Point – Animal Protection Department of Veterinary Services- **Dr Majuru**	Interviewed 11 October 2013
3. Ministry of Health and Childcare	Deputy Director Food Control- National Enquiry Point Food Safety **Mr. F Chinyavanhu** **nepfoodsafety.zw@gmail.com**	Questionnaire filled in
4. Attorney General's Office/Parliament	**Ms. Rudo Makunike**	
5. ZimTrade	MR Chizema, Mrs Mafu, Mrs Manyoni and other 2 Trade Officers	Interviewed on 04/11/2013
6. Standards Association of Zimbabwe	The Director General **Mrs. E. Gadzikwa**	interviewed on 29 October 2013

Private Sector Institutions

Institution	**Contact person**	**Date interviewed**
7. Confederation of Zimbabwe Industries	The Chief Executive Officer **Mr. C. M Sileya**	Questionnaire filled in
8. Electrical Appliances Association??	**Mr G. Watson-Capri**	Interviewed on 05/11/2013
9. Leather and Allied Industries	**Mr. Bev Jack** bevjoy@zol.co.zw Tel;485518 Cell;0912254873	Interviewed on 04/11/2013
10. Zim Textile Manufacturers	Mr. Jeremy Youmans jeremy@paramount.co.zw Tel: 770404-8 Cell : 0772231802	interviewed on 28 October 2013
11. ZNCC	The Chief Executive Officer **Mr. A. Matiza**	
12. Zimbabwe Sugar Association	**Mr. S.J. Frampton** sjf@zimsugar.co.zw Tel: 251472 Cell: 0772613014	interviewed on 29 October 2013

Annex 4: Theoretical Underpinnings of Regionalism

Article 24 of the General Agreement on Trade and Tariffs (GATT) allows member states to form a regional trade agreement provided they eliminate within the union trade barriers on

substantially all trade and they do not raise trade barriers on goods produced outside their union[43]. In these arrangements, trading partners across the globe have diverse objectives among which include boosting trade and income, boosting investment, stimulating development, democracy and human rights (e.g. in Southern African Development Community (SADC)), fostering regional cooperation and coordination as well as stimulating regional and global integration (Schiff and Winters, 2003). Some countries enter into regional agreements as they fear being excluded from the global trade and therefore unite as small economies thereby making themselves more efficient and competitive, enabling their producers to access bigger markets. Others join these arrangements because they allow for deeper integration which cannot otherwise be achieved through other forms of trade liberalization such as the multilateral framework. Special cases are the formation of a common market such as the European Union (EU) where there is free movement of the factors of production such as labour and capital in addition to free movement of goods and services. Further such formations can lock in good policies, attract investment and signal government's reform intentions which can be in the form of investment, competition rules and government procurement (Schiff and Winters, 1998).

Unlike the old approach to regionalism, that had protectionist tendencies, new regionalism is generally outward looking and more committed to boosting rather that controlling international commerce (Schiff and Winters, 2003). Bilal (2000) argues that the old regionalism of the 1930s ,50s and 60s was based on the objective of import-substitution industrialisation, where the rationale was that developing countries could reap the benefit from economies of scale by opening up their trade preferentially among themselves, hence reducing the cost of their individual import-substitution strategy while the trade bloc became more self-sufficient. Major drivers of new regionalism include frustration of member states with the GATT where they viewed regionalism as easier as well as the conversion of the US from a multilateralist to a regionalist (Baldwin, 1997). Other formations like the EU followed suit as they scrambled for markets and are going around the world creating free trade areas with developing countries.

There is a general realisation that effective integration requires more than simply reducing tariffs and quotas. After all preferences may not be as important as they used to be given that generally the Most Favoured Nation (MFN) rates have been falling for all the countries of the world over the years. In fact, policy makers are indeed looking for benefits that extend beyond the market for trade in goods and services. According to Chauffour and Maur (2011), deeper regional integration include a broad set of beyond the market access issues such as investment regimes, technical and sanitary standards, trade facilitation, competition policy, government procurement, intellectual property, environmental protection, migration, labour rights, human rights among other beyond the border issues. However, while such trade arrangements expose developing countries to modernized policies, they often pose challenges as in most cases these countries lack capacity to negotiate and implement such provisions as they are quite complicated and require huge administrative resources and the requisite technical expertise.

[43] https://www.wto.org/english/res_e/booksp_e/analytic_index_e/gatt1994_09_e.htm

Bilal (2000) highlights two principal characteristics of a trade bloc and these include reduction or elimination of barriers to trade and a trade liberalisation that is discriminatory, as it only applies to the member countries of the trade bloc with outside countries being discriminated against in their trade relations with trade bloc members. These trade preferences can be extended to member states in the various forms of regional integration that include a preferential trade area (PTA), free trade agreement (FTA), customs union (CU), common market (CM), economic union and a political union (PU).

In a PTA, member states reduce tariffs between member countries and set pre-conditions for deeper integration such as establishments of rules, disciplines and institutions (Cheelo*et al*, 2012). An FTA eliminates tariff protection amongst the member states but each member state retains its own tariff structure. The grouping also strives to reduce non-tariff barriers among themselves. This formation is not necessarily preceded by a PTA. A deeper form of integration beyond the FTA is a customs union, which in addition to all the conditions of a FTA, has a common external tariff (CET). The next form of regional integration after a CU is a common market. This is a deeper form of regional integration in that in addition to the conditions of a CU, member states allow for free movement of the factors of production such as labour and capital amongst themselves in addition to harmonization of some of their policies. An economic union includes all the conditions in a common market plus common economic policies and institutions. The deepest form of integration is a political union that constitutes all the conditions of an economic union in addition to common political systems and institutions. Examples of some of the regional integration agreements in the world include the EU, European Economic Area, Euro-Mediterranean Economic Area, NAFTA, APEC, MERCOSUR, Latin America Free Trade Area, Caribbean Community and Common Market, EAC, CEMAC, ECOWAS, COMESA, SADC UEMOWA, SACU, ASEAN among others.

Annex 5: Overview of Regional Integration in Africa

Bilateral or regional integration can be an important engine of trade competitiveness, both for small, very poor, landlocked countries and for less regionally integrated or diversified middle-income countries (Chauffour and Maur, 2011). In a bid to reap benefits of economic growth through openness, African countries have formed many regional integration groupings. In fact, SADC, EAC, COMESA, ECCAS, UMA, IGAD, CENSAD and ECOWAS are the 8 regional economic communities(RECs) recognised by the AU (UNECA, 2010) as the building blocks of the African Economic Community.

While there has been proliferation of trade agreements in Sub Saharan Africa, intra-regional trade has achieved limited success as compared to other trading arrangements elsewhere in the world. For example, intra-African trade stands at around 12 per cent compared to 60 per cent, 40 per cent, 30 per cent intra-regional trade that has been achieved by Europe, North America and ASEAN respectively (African Union Commission, 2013). Progress in regional integration efforts has been limited by slow implementation of regional integration agreements that are designed to eliminate tariffs and non-tariff barriers; poor infrastructure, maintenance and connectivity; incessant non trade barriers; institutional challenges; as well as conflicts and security issues (UNECA, 2010). Such challenges in addition to low export diversification

provide very few opportunities for development as compared to the well-integrated economies. Benefits from regional integration are not the same for all members of the RECs. For example, in the ECOWAS region, 3 countries Nigeria, Côte d'Ivoire and Senegal accounting for almost 90% of all intraregional exports and almost 50% of all intraregional imports. Kenya accounts for about 45 percent of the total intra-EAC trade (Muluvi, *et al* 2012) while South Africa dominates SADC's intra-regional trade.

A number of factors explain the low levels of intra-regional trade in Africa and these include weak trade complementarities, very low export diversification in most regional integration arrangements in Africa as trade is concentrated in a very small export basket, lack of private sector support and hence envisaged regional integration benefits are not realised. Some of the reasons relate to the fact that the RECs were formed by member states, that in the 1960s and 1970s based their policies on the import substitution paradigm. Over the past forty years a growing body of research has shown the importance of promoting exports and using trade a tool for economic growth, however, reducing anti-export bias can be challenging as established import substituting industries lobby for continued protection. Most member states have multiple memberships in RECs, hence overlapping commitments and this complicates the RECs' efforts to fostering regional integration.

Annex 6 : Non Tariff Measures

The main topical issue in the context of regional integration over the recent years has shifted from market access issues (reduction of tariffs) to non-tariff measures (often terms 'beyond' the market issues). The objective of this section is therefore to assess the non-tariff measures that have been tabled for negotiations under the TFTA. These include trade remedies, Sanitary and Phytosanitary (SPS) measures, Trade facilitation, rules of origin and technical barriers to trade (TBTs).

5.1 Rules of Origin

5.1.1 Introduction

Rules of Origin (RoO) are an important fabric of any preferential trading agreement. RoO are key in determining the national source of a product and whether a product being traded qualifies for preferential treatment. Their importance is derived from the fact that duties and restrictions in several cases depend upon the source of imports. RoO represent a legal framework within which the origin of goods is determined, both point of shipment and where they are deemed to have been produced (Kalaba, 2009).The international convention on the simplification and harmonization of customs procedures defines RoO as the specific provisions, developed from principles established by national legislation or international agreements applied by a country to determine the origin of goods (Kyoto Convention 1974).

The RoO provides a framework to distinguish between goods that are produced within the region and entitled to preferential treatment and those produced outside of the preferential area which do not require any favourable terms but are rather subject to the full import duties applicable. The rules helps in avoiding trade deflection, whereby goods from non-member countries are channelled into the preferential area, by ensuring that only goods that have been substantially transformed or "sufficiently processed" in the exporting member of the trading bloc receive favourable treatment.

Without such rules, rampant trade deflection can occur, thereby undermining the objectives of a preferential trade agreement. Therefore, RoO are important in ensuring that non-members do not benefit from market access privileges intended only for members and also in ensuring that that the objectives of the trade agreement are met. Furthermore, Flatters (2002) noted that RoO are an important instrument to promote development within the preferential area. If rules are too stringent, local producers will be forced to source from the region thereby nurturing development of regional industrial capacity. The rules will thus be playing a protective role, and using that as an opportunity to expand the size of the protected market, (Kalaba 2009), thereby maximizing the impact on employment and to ensure value-added activities are undertaken within the regional trading block.

However, the rules can work against the intended objective of improving market access within a trading block by increasing the administrative burden for both international trade operators and customs authorities. This may overstretch the limited human and fiscal resources of many developing countries, and create costly delays at the port of entry. Increasing the cost of doing business, in a bid to comply with the rules, can be a significant deterrent to trade, even in situations where products meet the set conditions. Thus, for RoO to play a role in fostering intra-regional trade, they need to be objective, understandable, fair, consistent and predictable (Kalaba 2009).

Furthermore, RoO can be manipulated to achieve other objectives, such as protecting domestic producers of intermediate goods. Restrictive RoO raise the costs of supplying the markets of the markets of preferential partners by reducing changes in production which often leads to the use of higher cost inputs and through the expenses which are incurred in proving conformity with the rules.
RoO are an essential element of regional trading agreements. However, their use as protectionist devices an also undermine and subvert the benefits of the trade liberalization they are meant to support.

5.1.2 Comparison of COMESA, EAC and SADC Rules

The general determination under the RoO is that goods should be **wholly produced or obtained** in that country. However, products that are not "wholly produced" can equally obtain "originating status" if the imported inputs in their production are "**sufficiently processed", thereby making them** eligible for preferential treatment. There is, however, no universal rule

determining what constitutes "sufficiently processed" as different regional agreements employ different definitions. However, Kalaba (2009) noted that goods are deemed to be "sufficiently worked" if they meet one of the following three criteria:

- *minimum Value Added (VA) Rule*: -a prescribed minimum value has been added locally;
- *Change of Tariff Heading (CTH) Rule*: - goods having been substantially transformed to justify a tariff heading different to that of the imported input materials used; and
- *Specific Process (SP) Rule*: - prescribed processes have been undertaken in the production of the goods in the country claiming preferential treatment.

Table 26: Rules of Origin in the SADC, COMESA & EAC

Origin Criteria	COMESA	EAC	SADC
1). Wholly produced	Yes	Yes	Yes
Sufficiently processed			
a) Value Added Rule			
i) Imported Material	c.i.f≤60% of ex-factory costs[44]	c.i.f≤60% of ex-factory costs	c.i.f≤% of ex-works price[45]
ii) Local material	VA ≥ 35% of ex-factory costs	VA ≥ 35% of ex-factory costs	VA ≥prescribed % of final product
iii) Economic importance rule	VA ≥ 25% of ex-factory costs	Not Applicable	Not Applicable
b) CTH	Yes	Yes	Yes; double CTH is required in the case of clothing and textiles, except for MMTZ[46] members
c) SP rule	No	No	Yes
2). **Cumulation**			
I) bilateral	Yes	Yes	Yes
II) diagonal	Yes, with bloc members	Yes, with bloc members	Yes, with bloc members
3)**Tolerance/ de Mminimis**	No provision	No provision	≤15%of ex-works price excluding clothing and

[44]An Ex-factory cost refers to the value of total inputs used in production of a given product.
[45]Ex works price is the price paid for the product ex works (factory price) to the manufacturer in whose undertaking the last working or processing is carried out. This price includes the value of all materials used and excludes internal taxes (customs duties).
[46]MMTZ refers to the least developed members of SADC, i.e., Malawi, Mozambique, Tanzania and Zambia

			textiles, vehicles and vehicle parts

Source: COMESA (2002), EAC (2005) and SADC (2008) in Kalaba 2009

The "wholly produced" rule is common in the three trading blocs. Also, the three blocs embody the "sufficiently worked" principle, albeit with differences in the conditions to be met, (Table 8). All three blocs have bilateral and diagonal cumulation limited to bloc members. However, there are no provisions for tolerance in both SADC and COMESA, whilst Rule 4 of the EAC RoO allows for "de-minimis" of at least 15% of ex-works price excluding clothing and textiles, vehicles and vehicle parts. The SADC RoO (Rule 3 of Annex 1 to the Protocol) are substantially different from those in the other two blocs. The EAC rules closely resemble those in COMESA Article 48. Their requirements for value added are similar in both imported and local materials. For a product to meet the value added rule, the imported materials must not exceed 60% of ex-factory costs or local materials *must* exceed 35%. The blocs do not require specific process criterion and thus their "change in heading rule" has no additional conditions.

In the case of SADC, the rules of origin go beyond their function of preventing trans-shipment of products from third countries, to protect existing industries from increased intra-regional competition. Rather than facilitating development through trade, the SADC trade protocol replaces transparent and declining tariff barriers in important sectors with complex and more restrictive input sourcing requirements that will diminish trade, increase transaction costs, reduce flexibility of producers and make the region a less attractive place to invest.

Simple, consistent and predictable rules of origin are more likely to foster growth of trade and development. Rules of origin that vary across products and agreements add considerably to the complexity and costs of participating in and administering trade agreements. Simple RoO are more likely to stimulate trade and investment in the region by providing producers with flexibility in sourcing their inputs without compromising the ability to prevent trans-shipment of goods from third countries which are not members of the agreement.

Several exceptions to the rules and principles are provided for (Brenton, 2003). These exceptions including cumulation and tolerance, can influence whether or not origin is conferred on the product. Cumulation allows producers to import materials from a specific country or region without undermining the origin of the product, whilst determining the levels at which countries are able to use the trade preferences available to them within the regional grouping. It can be taken as a derogation from the requirement that goods must be "wholly produced" in the exporting country. Cumulation can help facilitate regional integration through greater trade flows and shared benefits.

Bilateral cumulation is when originating inputs imported from a partner qualify as domestic content when used in the country's exports to the partner, whilst diagonal cumulation entails the use of materials originating in one or more countries of the same (recognised) regional grouping to be considered as having originated in the beneficiary country. Finally, there can be full cumulation. In this case any processing activity carried out in any country participating in

a regional group can be counted as qualifying. This is regardless of whether or not the processing is sufficient to confer originating status to the materials themselves. Full cumulation provides for deeper integration by allowing for more fragmentation of production processes among members of the regional group.

Tolerance or *De Minimis* rules allow a certain percentage of non-originating materials to be used without affecting the origin of the final product (Grynberg, 2005). These rules are mostly appropriate to the change of tariff heading and the specific manufacturing rules, without affecting the value added rules. This rule makes it easier for products with non-originating inputs to qualify for preferences.

5.1.3 Harmonising Rules of Origin under the Tripartite

The TFTA Initiative is one of the recent initiatives to harmonise trade within the three blocs aimed at resolving overlapping membership, improve access to markets and progress towards building greater coherence among regional communities across Africa. There are, however, significant differences to the applicable RoO across the three trading blocs. Hence, it is expected that the blocs will work closely in resolving the differences in RoO and agree on a single set of rules that will be applicable under the TFTA. This, however, will have significant trade implications for the respective member countries.

Whilst differences exists, it would appear as if it would be easy to merge the COMESA and EAC rules given the significant similarities, compared to the SADC RoO. However, this is easier said than done, RoO by nature, are very complex, and bringing the three regional blocs into one, is a major challenge, given the contentious issue of overlapping memberships. Identifying areas of agreement and less contentious and narrowing them down to one, is a possible approach that members could adopt. Finding a common position could thus help create mutual trust and understanding among members before moving on to those issues were there are big differences. For example, the "sufficiently worked" principle under SADC product specific rules may need to undergo substantial transformation, as it is currently a source of major deviations from the other two blocs. The problems to deal with will also be compounded by the fact that, even within SADC member states, there are still some unresolved rules on certain products (SADC, 2008b).

Furthermore, the blocs will have to agree on framework for evaluating the value added rule. As seen in Table 1, COMESA and EAC currently use ex-factory costs – the value of total inputs used, whilst SADC uses ex-works price which includes value added materials and profit, but excludes internal taxes paid. Hence, this requires unification under the TFTA. Equally, the question of "goods of particular economic importance" under COMESA, which is the single major difference with EAC rules, would require unification. With no clarity on the criteria for classification of goods of particular economic importance, this simply adds to confusion and administrative burden when determining whether a good meet the conditions or not. Reviewing this requirement would be key before coming up with rules for the envisaged FTA.

In addition, the blocs will have to resolve the issue relating to tolerance derogation, provided for only under SADC rules but not applicable in the other two blocs. The tolerance rule are important in that they make determination of origin slightly less tedious, hence, members would need to find common ground on tolerance derogation under the enlarged TFTA. Rules regarding fisheries would also need to be resolved. Current differences mainly emanates from the flag of the vessel and whether that rule should be maintained, as is the case with SADC. Also, the issue regarding the nationality of the crew and officers would require attention. Current, it is a requirement under SADC that both crew and officers holding the nationality of the country concerned should comprise at least 75% of the crew. However, COMESA and EAC, provide separate conditions for their crews and officers.

The long term objective would be to make the set of rules for the enlarged FTA more simplified, predictable and open to uniform interpretation. The most important concern, however, is to make the rules more the suitable for the small and medium enterprises, who happen to be the majority of businesses and stakeholders in the three blocs. The current rules across the blocs do not make sufficient provisions for these small and medium traders, thereby, defeating the employment, income creation and poverty reducing objectives of member governments.

Consistent with the foregoing, is the need for the rules under the TFTA to be cognizant of other RoO with other regional blocs and countries, with a view to avoid possible contradictions and conflicts of rules. This is particularly important with the EU, given that most members in the three blocs have entered into some arrangement with the EU.

5.2 Trade Remedies

The Tripartite region needs to adopt trade remedies in order to protect domestic economies from negative effects of trade liberalisation. Trade remedies – or trade defence instruments – are contingent measures enacted to defend domestic economies in certain circumstances. There are three forms of trade remedies namely; anti-dumping measures, countervailing measures and safeguard measures.
Anti-dumping (AD) measures are typically tariffs in addition to ordinary customs duties that are imposed to counteract certain unfair pricing practices (price undercuts) by foreign companies that injure or threaten to injure domestic producers of like or directly competitive products (Sykes 2005). Countervailing (or anti-subsidy) measures are tariffs in addition to ordinary customs duties levied in order to offset "unfair" advantages gained by foreign exporters through subsidies bestowed on them by their governments, again when they cause or threaten to cause material injury to a domestic competing industry (ibid). Finally, safeguard measures are temporal trade restrictions, typically tariffs or quotas, which are imposed in response to overwhelming import surges, usually as a result of trade liberalisation, that cause serious injury (or threat thereof) to competing domestic producers.

There is intense economic debate around trade remedies. Some economists regard trade remedies as disguised protectionism, against the idea of free trade, and above all, counterproductive for welfare be it on the national level or global level. Other economists maintain that they are useful instruments, in particular for ensuring a fairer international trading system in the absence of global competition rules, and providing relief and space for adjustment

for troubled domestic industries[47]. The role of trade remedies in sustaining industrial growth and development cannot be overemphasised.

Moreover, safeguard clauses are viewed as being a support for trade liberalisation. Kenneth Dam observed that "the GATT escape clause is a useful safety valve for protectionist pressures". In his view, the safeguard clause, encouraged trade liberalisation more generally. Further, according to him, the GATT escape clause "encourages cautious countries to enter into a greater number of tariff bindings than would otherwise be the case"[48]. It is indeed well-known that deeper and broader trade liberalisation will be undertaken by governments when they know that they can suspend the obligations subscribed when unforeseen developments occur, having – or threatening – serious damages on their economy. Without any possibility to "escape" under such circumstances, fewer governments would be willing to sign trade liberalisation agreements
Over the years, developed countries have been the main users of trade remedies. This has however changed in the recent past with the event of the World Trade Organisation whereby developing countries are actively utilising WTO trade remedies. According to Illy (2012), developing countries use of trade remedies today collectively represent more than 60% of global trade remedy actions. Although developing countries are now using trade remedies to a great extent, so far, African countries have not played a significant role in this area. Only four countries – Egypt, Morocco, South Africa, and Tunisia – have functional trade remedy mechanisms on the continent and have ever employed such measures to defend their domestic producers. It therefore implies that only Egypt and South Africa in the Tripartite region are the only countries utilising WTO trade remedy laws.

Trade remedies are crucial to the Tripartite region and Africa as a whole given the wave of trade liberalisation in the region and beyond. The survival of local industries under pressures of tariff dismantling the world has been experiencing since the 1940s, and foreign unfair trade practices such as dumping and subsidies, is more at stake here such that manufacturing, which used to account for up to 20 per cent of Gross Domestic Product (GDP) in many countries and provide thousands of jobs in the 1970s and 1980s represents barely 6 per cent in most countries today (Njinkeu and Soludo 2000; African Development Bank – AfDB 2011). And the situation keeps on worsening; hence the urgent need to devise strategies to defend local remaining industries and promote new ones.

Africa has no choice but to industrialise or re-industrialise and diversify its economic base. The question is now *how* Africa can achieve rapid industrialisation, especially under the new rules of the game, i.e. in an ever open world, without protection, and lesser state intervention. It is well-known, industrialisation took place in virtually all other parts of the world behind high tariff walls and state intervention (Chang 2002; Reinert 2007), and Africa would be therefore the only region in history that would have to industrialise without these instruments. Mastering "smart protection" tools such as trade remedies is therefore crucial for this continent, if it were to develop a genuine and viable industrial policy. The Tripartite region and Africa at large has come to recognise the relevance of the issue. In 2008, the ACP called on the WTO for more

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[47] Ousseni Illy, (2012) **Trade Remedies in Africa: Experience, Challenges, and Prospects**, University of Oxford and Princeton University, p. 3

[48] K. Dam, **The GATT: Law and International Economic Organisation** (Chicago: University of Chicago Press, 1970), p. 106

flexibility in the area of trade remedies, and for technical assistance for the establishment (or strengthening) of local trade remedy frameworks on the continent[49].

Despite the preceding analysis on the importance of trade remedies in preserving local industries and stimulating economic growth, Zimbabwe has made little use of the WTO trade remedy laws. Zimbabwe has in place national legislation on dumping and subsidisation enacted in 2002 as Statutory Instrument 266: Competition (Anti-Dumping and Countervailing Duty Investigation Regulations, 2002) which is meant to counter unfair trade practices resulting from dumping and subsidisation. It also has in place, the national legislation on safeguards namely the Competition Safeguards Investigation Regulations contained in Statutory Instrument 217 of 2006. This is meant to counter surges in imports that cause or threaten to cause serious injury to the local industry. The two pieces of regulation were adapted from the WTO Trade Remedy laws. The Competition and Tariff Commission is the designated authority to carry out the investigations and make necessary recommendations to Government.

The research discovered the following reasons for non-utilisation of trade remedy laws by Zimbabwe:

- *Inexistence of institutional division that deals with investigations*

National legal and institutional frameworks are the basic requirements for trade remedy actions. For local industry to be able to utilise trade remedies there must be national regulations prescribing the conditions and the process, and an authority that can handle the case. For Zimbabwe, the regulations and the authority are already in place, however, the Commission is yet to establish the division/department that deals with trade remedies.

- *High cost and lack of expertise*

Trade remedy investigations require high level of expertise consisting of a good team of well-trained specialised trade lawyers, trade economists and accountants, among others. Having this team in place is fundamental once the regulatory framework is laid out. The Competition and Tariff Commission needs to recruit staff in these fields and train them in the area of trade remedies.
Another hurdle faced by Zimbabwe is high costs associated with conducting investigations. Trade remedy proceedings involve hearings, field investigations, and sometimes sending teams abroad, which is very costly.

- *Complexity of trade remedies*

WTO trade remedies are complex in nature thus imposing an implementation challenge to Zimbabwe. The country faces technical challenges in proving dumping, injury and causality between the two. The length of investigations also pauses a challenge to threatened industries such that a lot of harm may be done whilst trying to build a case.

- *Lack of capacity and information on trade remedies on the part of industry*

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[49] WTO document TN/RL/GEN/154 entitled "Special and Differential Treatment and Technical Assistance in Trade Remedies", ACP and African Groups, WTO, 25 February 2008. In this document, the ACP and African Groups called in particular for flexibility and technical assistance for the establishment of trade remedy mechanisms in their countries.

Zimbabwe private sector lack capacity to initiate and undertake investigations. Some are small and medium companies which have technical and organisational constraints hindering them from taking full advantage of trade remedies. This is compounded by the prohibitive costs of carrying out investigations and filing a case at the WTO. At the same time some of the companies do lack information on the trade remedy system. Before this can be addressed it will be difficult for them to utilise national or WTO trade remedies.

At the regional level most countries in the TFTA do not have national trade remedy laws. As alluded to before, utilization of trade remedies requires domestication of the laws. In addition, most members of the TFTA do not have responsible authorities to carry out the investigations. Only South Africa and Egypt have functional trade remedy authorities, while Zimbabwe, Mauritius and Kenya have domesticated the trade remedy laws and are working towards establishing the relevant institutions.

Zimbabwe's negotiating position with regards to Trade Remedies

Trade remedies are necessary to combat dumping, subsidization and surges in imports that seriously injure the domestic industry but challenges mentioned earlier need to be addressed for them to be effective in the region.

It is pertinent for the region to have trade remedy laws in place before entering into the FTA as this will enable member states to have a buffer against threats to their domestic industries. Trade liberalization often imposes costs of adjustment on uncompetitive industries and incorporation of trade remedies will act as a stop gap measure or pressure release valve when the going gets tough.

The region should adopt a training approach for all countries in the TFTA if they are to be successfully implemented rather than rely on the two countries that are applying them. The training from the South Africa and Egypt[50] should augment the regional training given that twenty four countries would need to be trained.

Given the challenges Zimbabwe and other TFTA member countries do face in using trade remedies there is need to put in place trade remedy provisions that are easy to apply at the same time being user friendly such that they are not complex yet adapted to regional realities.

Capacity building needs

- Advocacy programmes to explain the benefits and importance of trade remedies in addressing unfair trade practices and fair trade practices that injure TFTA member/partner states industries;
- Need for training on trade remedies – anti-dumping, subsidies, safeguards inclusive of desk training and attachments to countries within and outside the TFTA arranged by the Tripartite Secretariat

[50] South Africa and Egypt volunteered to train other TFTA members in the area of trade remedies during the 2nd Meeting of the TWG on Trade Remedies and Dispute Settlement held in Entebbe Uganda 28-30 Sept 2013.

In order to deal with some of the challenges on trade remedies, the government needs to run advocacy programmes to explain the benefits and importance of trade remedies in addressing unfair trade practices and fair trade practices that injure TFTA member/partner states industries. There is need for training on trade remedies – anti-dumping, subsidies, safeguards inclusive of desk training and attachments to countries within and outside the TFTA arranged by the Tripartite Secretariat. The government needs to draft simple and easy to implement trade remedies laws and regulations but which are WTO consistent.

Zimbabwe can use the COMESA and SADC trade remedy systems to protect local industry from unfair trade practices perpetrated by member states of the regional blocs whilst the WTO regulations can be used to protect local industry from unfair trade practices perpetrated by third party countries. In the TFTA negotiations, negotiators should vie for simple trade remedy regulations which are easy to understand, easy to apply and shorter in execution given that this is a new experience for most TFTA countries.

6.3 Trade Facilitation

Trade facilitation is a concept aimed at reducing the complexity and cost of the trade transaction process and ensuring that all these activities take place in an efficient, transparent and predictable manner. Trade facilitation looks at the whole trade chain from exporter to importer, including transportation and payment, with emphasis on the border-crossing and the agencies involved there[51]. According to the UNCEFACT, trade facilitation can be defined as the simplification, standardization and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make payment.

Trade facilitation is so critical as it has direct impact on the business and social welfare of a country. Studies by the OECD postulates that estimates of trade transaction costs range from 2 to 15 percent of the total transaction value. This result in a large amount of time and money wasted. In the end it disturbs business, supresses' growth and cripples economic development, especially in developing countries.

Landlocked countries, Zimbabwe included, are especially disadvantaged as they depend on trade facilitation measures of their neighbours. Small and medium companies benefit more from trade facilitation efforts since the costs of complying with cumbersome procedures is usually proportionally higher for them.

Overview of trade facilitation issues in the Tripartite region and beyond

Africa ranks low on trade policy and facilitation performance, with seven African countries listed in the bottom ten most restrictive trade regimes. In general, and compared to other countries, African countries have performed poorly in terms of logistics. Markets remain

[51] http://www.kommers.se/SWEPRO/In-English/What-is-trade-facilitation/

fragmented and borders are difficult to cross, which prevents the emergence of regionally integrated industries and supply chains[52].

According to Pearson (2011)[53] in the COMESA-EAC-SADC Tripartite region the costs of transport, in particular road transport (which accounts for about 95% of the volume of cargo transported in the region), is directly related to the time taken for the journey. The typical charge for a stationary truck is between US$200 to US$400 a day. Therefore, if a truck takes 3 days to clear at a border the transporter will pass on an additional cost of between US$600 to US$1,200 for the cost of the truck sitting idle at the border to the importer. This will, in turn, be passed on to the importer's client and ultimately, to the consumer.

Until the underlying causes of these high costs of transport are addressed African countries will remain high-cost producers, with no major direct investments taking place in non-mineral sectors. Restricted economic growth opportunities and slow progress made in poverty alleviation will remain the order of the day. An integral part of the Tripartite Free Trade Area should be the design and implementation of a programme that is aimed at improving trade and transport measures and reducing non-tariff barriers to trade *(ibid)*.

There is need for the simplification of the movement of people and goods by simplifying documentation e.g. removal of visas, deal diligently with porous borders, improve border management system to avoid delays. Further, there is need for development of infrastructure e.g. at border post and inland such as roads and railwaylines..

Zimbabwe's negotiating position on trade facilitation

As a landlocked country dependent on other countries, Zimbabwe should endeavour to negotiate for the simplification, standardization and harmonization of documentation; formalities and procedures; and improvement of physical infrastructure and facilities; and harmonization of applicable laws and regulations. This will go a long way in reducing the trade transaction costs and complexities encountered in international trade on the part of businesses and at the same time improve the trading environment in the region. This also helps to optimize efficiency and effectiveness in cross border trade.

The Yellow Card insurance scheme obtaining under COMESA should be replicated in the Tripartite region. Any insurance taken in one country would be used in other countries in the FTA, making it not necessary to insure in every country. The Tripartite FTA arrangement should also replicate the COMESA Bond Guarantee Scheme whereby a transporter takes a bond in which an insurance company or banker is paid money to allow faster movement of goods[54].

[52] http://www.tralac.org/2011/09/21/trade-facilitation-in-the-comesa-eac-sadc-tripartite-free-trade-area/

[53] M. Pearson (2011) **Trade Facilitation in the COMESA-EAC-SADC Tripartite Free Trade Area**, Tralac Working Paper No. SIIWPII/2011.

[54] http://www.uneca.org/sites/default/files/uploaded-documents/CTRCI-VII/tripartite_comesa_eac_sadc_fta-study-final-report.pdf

What are the gaps and what needs to be done

- Provide information to facilitate communication among trade actors.
- Simplify the movement of people and goods by simplifying documentation e.g. removal of visas.
- Deal diligently with porous borders
- Improve border management system to avoid delays.
- Develop infrastructure e.g. at border post and inland such as roads.

6.4 Sanitary and Phytosanitary Measures (SPS)

COMESA and SADC under which Zimbabwe is a member state strive to comply with the international standards on SPS measures so that the member states can fully participate in the multilateral trading system. The country participates in the SADC SPS Committee that seeks to harmonise SPS measures at the regional level. Each country in the region has its own regulatory measures and the SADC SPS protocol guides the member states on how the country measures are to work for example they have to facilitate trade. The SADC region faces challenges such as inadequate number of testing laboratories. Zimbabwe for example has no capacity to carry out certain tests and hence has to send samples to South Africa for this purpose.

On animal protection, SADC region has managed to make inroads in the harmonization of veterinary drugs. The member states have also adopted SPS regulations but implementation is yet to commence. The SADC member states have a SADC protocol on SPS which is still in draft form and are currently working on it to allow for its implementation.

Zimbabwe is guided by OIE guidelines on animal standards. The country is partially compliant due to financial constraints.

Sanitary and Phytosanitary (SPS) issues are of particular relevance to the agricultural and agro-processing sectors of the economy, livestock and food safety. Every agricultural commodity that is of plant or animal origin is subject to SPS measures to enable its importation into Zimbabwe.

As specified in the Zimbabwe's National Trade Policy Review, the Ministry of Agriculture Mechanisation and Irrigation Development is the National Notification Authority while the Department of Livestock and Veterinary Services, Department of Research and Specialist Services and the Government Analyst Laboratory are the Enquiry Points for Animal Health, Plant Health and Food Safety issues respectively.

The country formed a committee responsible for SPS matters and it comprises representatives from various Government Ministries and institutions, producer associations, food manufacturers, and academia. According to the Zimbabwe's National Trade Policy Review, this committee is responsible for advising policy makers on SPS issues in the country.

Zimbabwe does not have a formal piece of legislation on SPS strategies at a national level to the extent that the country is guided by various pieces of legislations such as the Food and Food Standards Act, Animal; and Health Act, Plant Health and Diseases Act, Science and Technology Act. Each subcommittee has a respective policy and strategy in food safety, animal health and protection as well as plant health and protection. There is no budget for the national SPS Committee but each subcommittee has a budget line in the ministry it is housed.

SPS regulations on food safety

Zimbabwe has as many as 20 technical regulations on specific food commodities and general food safety subjects. Some are dating back to 1972. The country has had the problem where its food regulations are in hard copy. Some of them cannot be scanned and have to be typed. The government is in the process of doing this so that all our food regulations are in soft copy for publication. We are also working on revision of the same as well as drafting new ones. This is a process that is slow and the rate determining step is the legal drafting at the Attorney General's office. These regulations are applied equally to all food products for consumption in Zimbabwe whether locally produced or imported.

In terms of the regulatory gaps, the local market has been flooded by a lot of food products whether locally produced or imported that is not up to safety and quality standards. The Ministry of Health as the Food Standards Advisory Board crafted inspection and certification regulations. These will explicitly make it mandatory that all food intended for the Zimbabwe market must be certified by the Secretary for Health and Child Care and should have a sanitary certificate. These drafts have been notified with WTO.

It is easy for food traders to comply with the set SPS measures because as they are based on international CODEX food standards. CODEX food standards are agreed upon by consensus by all countries at international fora. Hence if traders comply with their national food regulations that are based on CODEX standards then it will be easy for them to comply with Zimbabwe food regulations as well.

Member states in both SADC and COMESA are faced with several challenges that delay them in harmonizing and complying with SPS measures. These include insufficient human resource capacities, insufficient institutional capacities, incompatible legislation, regulatory, inspection and certification systems.

Zimbabwe specifically faced the following challenges listed below;

Challenges that Zimbabwe faces on implementing SPS measures include;

- Clients are unaware of SPS measures particularly small traders
- There is lack of communication equipment to and from the borders. The Ministry of Health and Child Care reveal that the country has had problems where food regulations are in hard copy. Some of them cannot be scanned and have to be typed. The Ministry is in the process of doing this so that all the country's food regulations are in soft copy for publication and accessibility to the traders. We are also working on revision of the same as well as drafting new ones. This is a process that is slow and the rate determining step is the legal drafting at the Attorney General's office.
- The facilities are insufficient. For example frozen goods cannot be inspected as there are no storage facilities or laboratories. Moreso, equipment is obsolete
- There is no transport for inspections, surveillance and training.
- Zimbabwe has participated in a lot of workshops organised by both SADC and COMESA. These workshops are on-going and their aim is to harmonise SPS measures

in the region. However more is still needed to be done in terms of practical application of the SPS measures. This is because SADC and COMESA member states are at different levels of application of SPS measures. Some impose bans on other countries' food, animal and plant products without following the WTO laid down procedures. SPS Transparency workshops, either national, regional or international have been held and attended by member states of SADC and COMESA but what is on the ground in terms of application of measures does not reflect what has been learnt in these workshops. When delegates go back home it is business as usual.

- There is also no coordination of trade at national levels. Private traders experience problems with SPS authorities in SADC and COMESA countries but these problems are not communicated to regulatory authorities. This is usually because regulatory authorities are highly fragmented in the region's member states and traders usually do not have an idea as to who to talk to when they export their products.

Some of the findings from the interviews with stakeholders on SPS measures are outlined below.

- ✓ **What is Zimbabwe's experience with SADC and COMESA member states in the application of SPS measures?**
  - Lack of harmonisation of SPS measures within SADC and COMESA. There is need for harmonisation of phytosanitary import requirements.
  - Lack of technical capacity to implement and monitor SPS measures. There is need to establish regional fora for addressing/resolving SPS matters.
  - Inadequate quality and laboratory infrastructure by member states. There is need for the harmonisation of sampling and laboratory testing procedures.
  - Both SADC and COMESA member states are not actively involved in SPS standard setting, making the regions predominantly standard takers rather than standard makers.

- ✓ What are exporters' views on RoO in SADC/COMESA? Which products need specific RoO under the Tripartite FTA
  - Whilst RoO should facilitate exports, they should not allow imports of non-qualifying products as this results in unfair competition.
  - Exporters view the RoO conferring process by ZIMRA as fair and according to specifications for both SADC and COMESA. They however, regard the SADC rules of origin as restrictive and protective.
  - RoO in SADC and COMESA are quite different, and with the TFTA there is need to chart common ground and identity simple RoO such as those under COMESA that are similar to EAC.
  - To what extent do exporters utilise the regional rules of origin (SADC & COMESA)?

	To a less extent	Moderately	To a great extent
SADC			X
COMESA			X

As alluded to above, Zimbabwe does not have a formal piece of legislation on SPS strategies at a national level to the extent that the country is guided by various pieces of legislations such as the Food and Food Standards Act, Animal; and Health Act, Plant Health and Diseases Act, Science and Technology Act. Each subcommittee has a respective policy and strategy in food safety, animal health and protection as well as plant health and protection. There is therefore need for Zimbabwe to have a consolidated SPS Policy framework.

Government should invest in SPS infrastructure facilities at the borders and further invest in laboratory equipment that will enable testing of all foods and feeds that enter the country.

At the regional front, Zimbabwe should push for harmonisation of phytosanitary import requirements; establishment of a regional fora for addressing/resolving SPS matters; harmonisation of sampling and laboratory testing procedures.

6.5 Technical Barriers to Trade

6.5.1 WTO Standards and Guidelines on TBTs Measures [55]

Technical regulations and standards have grown significantly in most countries, the world over including Africa and measures related to technical barriers to trade (TBTs) have become an important dimension of Preferential Trade Areas (Maur and Shepherd, 2011).

According to Stoler (2009), TBT technical regulations are mandatory technical regulations and voluntary standards that define specific characteristics that a product should have, such as its size, shape, design, labelling / marking / packaging, functionality or performance. set-out specific characteristics of a product , such as its size , shape , design , functions and performance or the way it is labelled or packaged before it is put out to sale. Technical regulations and standards can be drafted on the basis of process and production methods. In trade, compliance to technical regulations are mandatory in nature, thus if an imported products does not meet compliance with the technical regulations it cannot be put to sale.

The WTO Agreement on TBTs has been designed with the broad objective to protect human, animal or plant life and health. It covers among other issues, technical regulations, product standards and conformity assessment procedures[56].

Technical barriers to trade exist in the form of restrictive regulations and standards which are not based on international standards and inadequate or unreasonable testing and certification arrangements. According to the WTO TBT classification, Technical Barriers to Trade is one of the many categories of non-tariff barriers to trade

[55] Source: WTO Documents, http: // wto.org

[56] Conformity assessment procedures are technical procedures such as testing, verification, inspection and certification — which confirm that products fulfill the requirements laid down in regulations and standards. Source; http://wto.org/english/tratop_e/tbt_infoe.htm

6.5.2 Experiences and Challenges in the Application of TBTs Regulations in Zimbabwe

Zimbabwean exporters reported that they encounter cumbersome and expensive product registration processes. For example, the pharmaceutical industry currently registers each individual drug separately in each country they wish to export. Besides the time taken to finally register a drug, it is quite costly and can be up to USD 1 000. There is also need to annually renew the registration of the drug in these countries.

Exporters also face the challenge of non-recognition of national quality standards e.g a South African importer demanding SABS certification for products that are SAZ certified.

Vitamin A fortification requirement by countries like Zambia and Malawi has constrained the Zimbabwe's exports of sugar into these markets, despite the fact that unfortified sugar from the same partner countries is imported into the Zimbabwean market with no restrictions. The TFTA should endeavour to create a level playing ground. Sugar fortification adds an additional cost to production costs. On this particular case, Zambia and Malawi have since taken the issue of Vitamin A fortification to WTO arguing that it is not a non tariff barrier.

Although this is being applied in a different REC, the IEPA, the TBT measure of Country of Origin Labelling (COOL) requirement, if a country is selling to the European market acts as a stringent TBT regulation because the refinery has to separate sugar to various countries, hence increasing costs. COOL affects exports if the importing country has a negative perception about the country of origin of sugar[57].

Some countries use TBT measures as a protectionist tool for fear of revenue losses and external competition.

There is often lack of dissemination of technical standards between the national technical regulator and exporters. The TBT Committee which is responsible for raising awareness on standards rarely meets thereby creating an information gap. This often has negative impacts on domestic exports.

Zimbabwe often fails short in conducting proper TBT notifications to the WTO. Under the WTO there are transparency requirements whereby member states should notify of any change in TBT requirements to the WTO which in turn publishes to all membership. Often this has not been done in time thereby causing retaliation from our trading partners. One such example is the requirement for milk products to be labelled in the three official languages, without notifying its trading partners. Zambia retaliated demanding that similar specification be made in their seven local languages, thereby posing a challenge for traders.

The other challenge being faced within SADC is that, SADC Secretariat adopted South Africa's standards which were circulated to Members States. It has become a challenge for countries as stakeholders find it difficult to accept standards phrased in South Africa's name.

[57] Source: Researchers notes from interview with Zimbabwe Sugar Association

Historically, Zimbabwe has been adopting SA standards, however, this has become difficult due to copyright issues being enforced by National Standard Bodies, which require a country to justify the standards to be borrowed. The country lacks capacity to come up with its own standards.

In addition, the country does not have a National Quality Policy like other neighbouring countries such as Malawi. This is critical as it helps to determine whether the country has the required Quality infrastructure. Zimbabwe's standards body, Standards Association of Zimbabwe indicated that it has drafted a National Quality policy but this has not been finalized. On the same note, the country lacks a Standard Act. Currently, standards issues are recognized through the Standard Development Levy Act, hence it was proposed that there should be a Standards Act in place.

In determining , the extent to which these TBTs impact on trade, it came out , that cumbersome and expensive product registration and the non-recognition of national quality standards , largely hinder intra –regional trade.

It also came out that the main challenges that are being faced in implementing TBT provisions include lack of harmonisation which result in cumbersome and expensive processes when applied by each country.

Harmonizing standards under the Tripartite

When TFTA negotiations commenced, the research team gathered that the National Standard Boards in the region had an understanding that the TFTA standards shall be drafted by Member States. However, recent developments in the TFTA negotiations have revealed that, the region will adopt standards set by the African Organization for Standardization (ARSO) and African Electro-technical Standardization Commission (AFSEC). The major concern of National Standard Boards is whether Member States would be under obligation to adopt those standards or they will be voluntary. At the same time, this move will make the region to be predominantly standard takers, hence bring implementation problems. Zimbabwe was a member of ARSO, before it opted out due to financial challenges.

When developing and harmonizing standards within RECs, it is critical to have a needs assessment, basing on the Member States' top most traded goods in the region. Standards should be linked to exports.

Inadequate consultations have resulted in signing of regional agreements on standards by national coordinating structures which at times do not fully appreciate standards issues, hence undermining the needs of exporters.

Zimbabwe boasts of several Mutual Recognition Agreements (MRA) on TBTs with various countries including Kenya, Zambia and Malawi. MRAs are crucial as the country participates within the proposed TFTA, in order to facilitate trade.

The SADC bloc has so far harmonised 57 standards. However, the pace at which this is being done is dependent on donor funding. There is currently no budget for the SQAM structure

within SADC Secretariat, it is recommended that RECs, including the proposed TFTA should consider allocating budgets for such structures.

Capacity building in the area of TBTs

- Developing procedures;
- Participation in regional technical meetings on TBTs;
- Conformity assessment ; and
- Accreditation

Technical barriers to trade can be resolved through harmonisation of standards and registration processes at regional level e.g. COMESA, and setting up an institutional framework within the TFTA to identify monitor and address NTBs.

6.6 Non-Tariff Barriers

✓ What Non-Tariff Barriers to Trade do Zimbabwe exporters face when trading in SADC and COMESA markets?

  - Ban on product importation
  - Packaging and labelling requirements
  - South Africa, which is our main trading partner now requires pharmaceuticals to be flown rather than use roads making the landing price of the product expensive.
  - Delays at the border post.
  - Corruption

✓ To what extent has ZimTrade used the online NTB reporting mechanism?

To a less extent	Moderately	To a great extent
X ZimTrade does not report but help monitor the clearance of reported NTB's		

✓ How effective is the system?

Not effective	Moderately effective	Very effective
		X 441 Complains registered, 327 resolved so far.

✓ Which areas require improvement?

  - Improve the reporting process by incorporating the use of SMS as currently it is computer based.

Transport logistics related barriers such as road blocks, language challenges and rampant corruption.