

**UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT**

**ZAMBIA AND THE MULTILATERAL TRADING SYSTEM:  
THE IMPACT OF WTO AGREEMENTS, NEGOTIATIONS  
AND IMPLEMENTATION**



**UNITED NATIONS  
New York and Geneva, 2006**

## **NOTE**

- This Report was prepared by Prof. Manenga Ndulo under the supervision of UNCTAD and the Ministry of Commerce, Trade and Industry of Zambia in the framework of the Joint (ITC/UNCTAD/WTO) Integrated Technical Assistance Programme to selected Least Developed and Other African Countries (JITAP).
- The symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.
- The documents included in this publication are in the original language as provided by the authors. The views expressed in this volume are those of the authors and do not necessarily reflect the views of the United Nations Secretariat. The designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the United Nations Secretariat concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries, or regarding its economic system or degree of development.
- Material in this publication may be freely quoted or reprinted, but acknowledgement is requested, together with a reference to the document number. A copy of the publication containing the quotation or reprint should be sent to the UNCTAD Secretariat at: Palais des Nations, 1211 Geneva 10, Switzerland.

UNCTAD/DITC/TNCD/2005/16

**UNITED NATIONS PUBLICATION**

Copyright © United Nations, 2006  
All rights reserved

## ACRONYMS

ACP	African Caribbean and Pacific
AGOA	African Growth Opportunity Act
BD	Budget Deficit
BOZ	Bank of Zambia
CA	balance of payments current account
COMESA	Common Market for Eastern and Southern Africa
CSO	Central Statistical Office
CSTNZ	Civil Society Trade Network of Zambia
EBA	Everything But Arms
EBZ	Export Board of Zambia
ED	External Debt
EDF	European Development Funds
EPA	Economic Partnership Agreement
EU	European Union
FDA	Food and Drug Agency
FDI	Foreign Direct Investment
FES	Friedrich-Ebert-Stiftung
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDFCF	gross domestic fixed capital formation
DFID	Department of International Development
GDP	Gross Domestic Product
GDS	Gross Domestic Savings
GRZ	Government of the Republic of Zambia
GSP	Generalized System of Preferences
HDI	Human Development Index
IF	Integrated Framework
ITC	International Trade Center
JCTR	Jesuit Center for Theological Reflection
JITAP	Joint Integrated Technical Assistance Programme
LDC	Least Developed Country
MFN	Most Favoured Nation
MCTI	Ministry of Commerce, Trade and Industry
MOFNP	Ministry of Finance and National Planning
NGO	Non-Governmental Organization
NWGT	National Working Group on Trade
RoO	Rules of Origin
SADC	Southern African Development Community
SPS	Sanitary and Phyto-Sanitary
TBT	Technical Barriers to Trade
TRIPS	Trade Related Intellectual Property Rights
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
UNDP	United Nations Development Programme

USAID	United States Agency for International Development
WTO	World Trade Organization
ZACCI	Zambia Association of Chambers of Commerce and Industry
ZBS	Zambia Bureau of Standards
ZEGA	Zambia Export Growers Association
ZEPZA	Zambia Export Processing Zone Authority
ZNFU	Zambia National Farmers Union
ZRA	Zambia Revenue Authority

## TABLE OF CONTENTS

<b>INTRODUCTION</b> .....	<b>1</b>
<b>I: MACROECONOMIC TRENDS AND PERFORMANCE</b> .....	<b>2</b>
<b>II: MAIN WTO AGREEMENTS AND THEIR RELEVANCE TO ZAMBIA</b> .....	<b>3</b>
<b>III: TRADE POLICY</b> .....	<b>4</b>
A. POLICIES DIRECTLY AFFECTING IMPORTS .....	4
B. POLICIES DIRECTLY AFFECTING EXPORTS .....	5
C. BEHIND THE BORDER POLICIES .....	5
<b>IV: TRADE PERFORMANCE SINCE 1995</b> .....	<b>6</b>
A. COMPOSITION OF MERCHANDISE TRADE .....	6
B. DIRECTION OF MERCHANDISE TRADE .....	7
C. SERVICES TRADE .....	8
D. COMPOSITION OF SERVICES TRADE .....	8
<b>V: IMPACT OF THE MULTILATERAL RULES ON THE ECONOMY OF ZAMBIA</b> .....	<b>9</b>
A. MFN APPLIED AND BOUND TARIFFS .....	10
B. MARKET ACCESS IN EXPORT MARKETS .....	12
C. WTO COMMITMENTS IN SERVICES TRADE.....	13
<b>VI: NON-TRADITIONAL EXPORTS AND EXPORT PERFORMANCE</b> .....	<b>14</b>
<b>VII: IMPACT OF REGIONAL TRADE NEGOTIATIONS</b> .....	<b>17</b>
A. COMESA FREE TRADE AREA .....	17
B. SADC PREFERENTIAL TRADE AREA .....	19
C. THE EU AND THE COTONOU AGREEMENT .....	20
<b>VIII: ASSESSMENT OF ZAMBIA’S ADAPTATION AND ADJUSTMENT OF NATIONAL LEGISLATION TO WTO AGREEMENTS</b> .....	<b>22</b>
<b>IX: NEGOTIATING STRATEGIES</b> .....	<b>24</b>
A. CAPACITY FOR TRADE NEGOTIATIONS .....	24
B. TRADE POLICY PROCESS .....	26
<b>X: RECOMMENDATIONS</b> .....	<b>27</b>
<b>CONCLUSIONS</b> .....	<b>30</b>
<b>ANNEX II: SADC Trade Ministers Communique</b> .....	<b>39</b>
REFERENCES.....	43



## INTRODUCTION

Zambia joined the GATT in 1982 and was a founding member of the WTO that was established in 1995. Zambia is a least developed country with a per capita income of US\$385 in 2005. The country is ranked among the twenty poorest countries in the world. This gives the country specific difficulties and special circumstances in the formulation, negotiation and implementation of multilateral trade rules. Since 1995, there has been an increasing awareness of the importance of multilateral trade rules among policymakers and the private sector in helping to resolve the intractable poverty situation in the country. Under these circumstances, trade must play a crucial role in achieving a higher growth rate and resolving the difficulties of poverty and help raise the standard of living. Increased real growth rates, the eradication of poverty and the consequent improvement in the standard of living cannot be expected without deliberate and persistent policies to improve the competitiveness of the economy and widening market access opportunities in the country's existing and potential export markets.

Zambia's poverty levels are high and have not fallen despite some indications of positive growth during the past few years. It is estimated that 67 per cent of the population live in poverty in 2003. The country has low rates of real growth. The real GDP growth rate was estimated at 5.01 per cent in 2004. It averaged 2.2 per cent per annum between 1995 and 2004. It is a small economy with real GDP estimated at US\$4.9 billion in 2003 and a population of 10.3 million people. Real GDP in 1995 was \$3.3 billion. Real GDP in 2003 was only about 48.5 per cent higher than the real GDP in 1995. This implies that the country has not only remained small but has not increased its real output substantially since the establishment of the WTO.

Zambia in addition to being one of the poorest countries in the world is small and landlocked with long distances to its major ports. This adversely affects the cost of its exports especially in terms of transport costs. This makes efforts at making Zambia globally competitive especially difficult. The largest economy in the region is South Africa that has a GDP about 40 times that of Zambia. Zambia is only larger than the economies of Swaziland, Malawi and Lesotho. It compares favourably with Mozambique.

Productive activities in the economy are dominated by the mining sector. The key mining activities are the extraction and processing of copper, cobalt, precious and semi-precious stones. This contributed to about 8.3 per cent of GDP and 61.7 per cent of total exports in 2003. The contribution of mining activities to GDP has been declining over the years reflecting the stagnation of the sector and the government is making efforts to diversify production to other activities in the economy. The services sector — the most important sector in terms of productive activities — contributed 65.7 per cent of GDP in 2004. However, the sector has the least export earnings. Services is followed by agriculture and manufacturing. These contributed 15.1 per cent and 10.96 per cent of GDP in 2004 respectively. Both sectors have great potential to increase export earnings. The agriculture sector has become diversified over time from grains to horticultural and floricultural products. Agricultural exports accounts for over 30 per cent of total export earnings. Manufacturing, in particular agro-processing, has also recently become an important economic sector.

## I: MACROECONOMIC TRENDS AND PERFORMANCE

Since the late 1980s, the country has been undergoing a reform programme with the support of the IMF, the World Bank and bilateral donors. The major influence on economic policy and trade reform during this period has come from multilateral institutions and bilateral donors. The reforms were aimed at bringing about macroeconomic stability so as to induce real growth in the economy, which had been declining since the 1970s. The reforms consisted of the liberalization of the domestic markets in goods and services, the liberalization of financial markets and the privatization of a dominant sector of state-owned companies. Exchange controls on the capital account were removed, tariffs reduced and quantitative restrictions on exports and imports were removed. The pace of economic policy and reform was very rapid and sustained between 1991 and 1996. Thereafter it faltered and has since stalled.

Table 1 below depicts the performance of the economy since the establishment of the WTO in 1995. The reform effort has managed to stabilize the economy, producing positive growth rates with an average of 2.2 per cent per year over the period. Consequently, the decline in per capita incomes was curbed. Real per capita incomes grew at an average of 1.8 per cent per annum. The inflation rate and real interest rates fell drastically during the period, although they still remain high. The inflation rate dropped from 46 per cent in 1995 to 17 per cent in 2003. Lately, it has been difficult to reduce the inflation rate any further. It has stuck at 17 per cent indicating structural and institutional factors that need to be addressed by policymakers. The level of domestic savings and investment are still very low, although the other parameters have increased slightly. The ratio of gross domestic savings to GDP increased from 12.2 per cent in 1995 to about 17.7 per cent in 2003. However, the ratio averaged about 7 per cent during the period, depicting a severe lack of domestic savings during the period. The ratio of gross domestic investment has been stagnant at 16 per cent, indicating a lack of investment response (Adam and Bevan, 1995). There have been, however, increased inflows of FDI especially in the services and mining sectors of the economy. Much of this has been the result of the privatization program (UNCTAD, 2005, 9). FDI inflows increased from \$97 million in 1995 to \$207 million in 1997. Thereafter, the inflows continuously fell until they hit \$72 million in 2001. The inflows increased to \$197 million in 2002 (UNCTAD, 2003). Over the years, such factors as uncertainty, policy reversals and inadequate infrastructure have played an important role in attracting FDI into the country.

Table 1: Basic Economic Indicators, 1995-2004 (in per cent)

Period	1995	1995-1997	1998-2000	2001-2003	2003	2004
GDP (US\$ m)	3,266.5	3,605.7	3,847.6	4,334.1	4,920.5	
Real GDP growth	-2.5	2.5	1.3	4.4	5.1	5.0
Inflation rate	46.0	33.3	28.3	23.7	17.0	17.5
GDS/GDP	12.2	9.0	6.2	4.7	17.7	
BD/GDP	-4.3	-2.0	-4.9	-6.2	-6.0	
GDFCF/GDP	16.0	14.5	17.6	17.8	16.0	
CA/GDP	-4.4	-7.0	-14.5	-18.1	-15.8	
ED/GDP	184.1	187.2	251.3	173.7	146.0	

Source: DTIS



The economy has responded to the reform effort but the response has been weak and hesitant. However, this hesitant response is under threat and at risk from the export sector. This is reflected by the lack of significant improvement in output and diversification in the export sector. The ratio of current account to GDP increased from 4.4 per cent of GDP in 1995 to 15.8 per cent of GDP in 2003. Much of this can be explained by the lack of meaningful real export growth caused by the stalling of the reform effort. To resolve this risk, Zambia needs to deepen and broaden its structural and institutional reforms (DTIS, 2005, 6).

## **II: MAIN WTO AGREEMENTS AND THEIR RELEVANCE TO ZAMBIA**

The main WTO Agreements consist of the Agreement Establishing the WTO, the Agreements on Merchandise Trade, Agreement on Services Trade, Agreement on Trade-Related Intellectual Property Rights and the Understanding on Dispute Settlement. The Understanding sets out the dispute settlement system (see WTO, 1994). The Agreement Establishing the WTO sets out the institutional structure of the WTO.

The Agreement on Merchandise Trade consists of, among others, GATT 1994, the Agreements on Agriculture, Sanitary and Phyto-Sanitary Measures, Textiles and Clothing, Technical Barriers to Trade, Trade-Related Investment Measures, Safeguards and Subsidies and Countervailing Duties. The challenges and opportunities in the implementation of these agreements have a great bearing on the growth process in Zambia. Most important is the implementation of the Agreements on Agriculture, Sanitary and Phyto-Sanitary, Technical Barriers to Trade and Safeguards.

The WTO Agreements are relevant to Zambia. They provide a framework of multilateral disciplines, rules and obligations within which Zambia can participate in international trade. The Agreements provide opportunities for market access and therefore an opportunity for the meaningful integration of the Zambian economy into the international trading system. However, Zambia's participation in the WTO processes is largely constrained by the amount of work and the complexity of issues involved. There is need to build capacity and local institutional memory in WTO processes. This might be difficult because of the lack of resources. This is an area where technical assistance from multilateral and bilateral donors will be beneficial. Meanwhile, Zambia can maximize its negotiations capital by pursuing issues that are of immediate relevance to the country. The Joint Integrated Technical Assistance Programme (JITAP) programme is making an important input in building capacities specific to the Multilateral Trading System to negotiate, and implement. JITAP is a capacity-building programme jointly implemented by United Nations Conference on Trade and Development (UNCTAD), International Trade Centre (ITC), and World Trade Organization (WTO). The Programme is based on a partnership among the executing organizations and the participating countries. The other issues can be pursued as part of alliances and coalitions with other WTO members, including the LDCs, African Union and ACP Group of States.

### III: TRADE POLICY

Zambia's trade policy has been set out in several policy framework papers and in the national policy document (GRZ, 1994). The country's aim is to pursue an outward-orientated, export-led trade strategy based on open markets and international competition. The aim is to create opportunities for the country to beneficially integrate into the world economy. Trade policy, therefore, aims at directing resources to the most productive areas necessary for export production. Tariff policy is the main instrument. The aim is to design a simple and rational tariff structure that promotes development and takes account of revenue implications and adjustment costs to industry, thus safeguarding policy space that is important to development, employment generation and poverty reduction. It is the view of the Zambian Government that trade policy must be underpinned by a common direction and a common vision of all national stakeholders. In this respect, the Government's approach to trade policy is that it should be elaborated and designed by all affected sectors of the national economy, and transmitted to Parliament for endorsement as a national policy. However, multilateral trade negotiations have now become more complex with many issues being covered and also with close to 150 countries participating in the negotiations. Zambia's efforts to negotiate trade agreements, implement and take advantage of them is complemented by JITAP.

#### A. POLICIES DIRECTLY AFFECTING IMPORTS

The major policy measure affecting imports are tariffs. There are no import restrictions, save for a few items for health and public security reasons. The current tariff structure was last changed in 1996, a year after the establishment of WTO. It is relatively simple and consists of four bands of 0, 5, 15 and 25 per cent. All tariffs are ad valorem. Table 2 shows the applied MFN tariff structure for 2003. The average MFN applied tariff rate for all imports is 13.4 per cent. The coefficient of variation is 0.7. This shows a modest dispersion of tariff rates. The zero per cent band is applied mainly on raw materials and intermediate goods and the 25 per cent band on finished goods. The MFN rate for agricultural products is 18.7 per cent, while that for non-agricultural products is 13.2 per cent. On the whole, 15 per cent of the tariff lines are duty free. Of the duty free tariff lines, 1.6 per cent is agricultural and 17.8 per cent is non-agricultural.

Table 2: The applied MFN tariff structure, 2003 (in per cent)

	Tariff bands	Share of tariff lines	Share of imports	Share of customs revenue
Raw Materials	0-5	21	30	0
Capital goods	0-5	14	24	15
Intermediate goods	15	33	26	36
Finished goods	25	32	21	48

Source: DTIS study

The current tariff structure is adequate and appropriate. The levels of the tariff rates are appropriate and are not a major policy issue. The applied MFN tariff rates are relatively lower compared to most countries in the region. A possible major policy issue is the re-balancing of the applied MFN rates such as to remove duties on imported capital goods.

## **B. POLICIES DIRECTLY AFFECTING EXPORTS**

Zambia does not have any quantitative restrictions or duties on exports. However, from time to time, administrative measures are taken to control the export of logs and maize, especially during periods of drought. However, it is generally agreed that the import regime has an anti-export bias. The country has, therefore, developed incentive programs to overcome the export bias. These are the duty drawback system, manufacturing under bond and the recently introduced export processing schemes under the export processing zones (MCTI, 2005, 18). There has been a lot of criticism from the private sector on the operation of these schemes. The major policy issue is, in consultation with the private sector, to work on the efficiency and resolve the problems associated with the export incentive schemes.

## **C. BEHIND THE BORDER POLICIES**

Though they have nothing to do with anti-export bias, behind the border policies are very important in Zambia's efforts to expand export production. Zambia's increased participation and integration in the world economy hinges on increased market access opportunities and the competitiveness of the domestic economy. "Behind the border" policies will reduce costs for exports and promote the overall competitiveness of the domestic economy.

Behind the border policies fall into four categories. The first category concerns policies that will improve customs administration. These will remove inefficiencies in the clearing of the exportation and importation of goods. Over the years Zambia has worked on the modernization of its customs procedures through introducing risk assessment, adopting the WTO customs valuation agreement and has actively participated in regional programs on customs cooperation and harmonization. However, there are still inefficiencies in customs administration that can be improved (MCTI, 2005, 22).

The second set of behind the border policies have to do with the organization and quality of the key infrastructure services in the domestic services sector. Improving the capacity, efficiency and competitiveness of these services is extremely important given Zambia's situation as a landlocked country and the long distances from the major ports for the Zambian economy. These services are transport- road, rail and air, telecommunications, energy and financial services. Zambia's competitiveness in the world economy will hinge on how these sectors are organized to support export growth.

The third set of behind the border policies are quality and safety standards. The standards infrastructure in Zambia consists of three bodies – ZBS, Food and Drug Agency (FDA) and the Ministry of Agriculture. The standards infrastructure continues to be driven by state intervention and public sector control (MCTI, 2005, 30). The government needs to make a policy decision on how the standards infrastructure should be organized so as to reduce the costs of testing and accreditation, shorten delivery time and assist with quality improvements of both local and export products (MCTI, 2005, 30).

The last set of behind the border policies have to do with a set of policies that improves the business environment. Growth in the economy and export production will depend on the private sector operating in an environment that encourages investment, risk taking and

innovation. Although efforts are being made to create such an environment, the country is still very far from achieving it. The business community has a poor opinion of the investment and business climate in Zambia (MCTI, 2005, 33). The government has recently launched the Private Sector Development Reform Programme to address issues and problems adversely affecting the business environment and investor confidence. It is important to encourage private sector participation in trade consultations and negotiations.

#### IV: TRADE PERFORMANCE SINCE 1995

Since 1995, Zambia's trade has seen significant changes in its composition and the relative importance of trading partners. The major change has been in the contribution of non-traditional exports to total exports. Nevertheless, this increase only managed to replace the contribution of copper exports in total exports by non-traditional exports. Table 3 shows Zambia's trade performance between 1995 and 2003. The total volume of trade barely changed. The total volume of trade increased slightly from \$2.0 billion in 1995 to \$2.6 billion in 2003. This is an increase of 30 per cent over a period of nine years. This is a situation where most countries have more than doubled their volumes of trade. Zambia's total trade remains basically as it were in the early 1990s. However, the share of imports to GDP has increased over time. In 1995, imports contributed 22.5 per cent to GDP. This increased to 36.1 per cent in 2003. On the other hand, the share of exports in GDP has declined over the period. In 1995, the share of exports in GDP was 35.6 per cent. It declined to 25.2 per cent in 2003. The trade figures also show that Zambia has increasingly been marginalized in the world economy. Its participation in the world economy continues to decline. Zambia's share in world exports declined from 0.024 per cent in 1995 to 0.014 percent in 2003. Although there has been some diversification, this lack of significant real export growth poses the greatest risk to the country in its efforts to stabilize the economy and generate real economic growth and utilize trade as an engine of development.

Table 3: Merchandise Trade Performance, 1995 – 2004  
(US\$ million and percentage of GDP)

	1995	1996	1998	2000	2001	2002	2003
Merchandise Imports	782 (22.5)	834 (25.5)	1,087 (33.6)	1,101 (34.0)	1,080 (29.7)	1,072 (29.0)	1,551 (36.1)
Merchandise Exports	1,238 (35.6)	997 (30.5)	943 (29.1)	785 (24.2)	902 (24.8)	928 (25.1)	1,084 (25.2)
Copper and Cobalt	1,039 (29.9)	754 (23.1)	630 (19.5)	521 (16.1)	590 (16.2)	560 (15.1)	669 (15.6)
Non-traditional Exports	199 (5.7)	243 (7.4)	313 (9.7)	264 (8.1)	312 (8.6)	368 (10.0)	415 (9.7)
Exports/ World Exports (%)	0.024	0.019	0.017	0.013	0.012	0.015	0.014

Source: DTIS

##### A. COMPOSITION OF MERCHANDISE TRADE

There have been significant changes in the composition of exports. Although, the mining sector has traditionally been the major source of exports, diversification has taken place into non-traditional exports. This has taken up the slack in metal exports. Non-traditional exports now contribute up to 35 per cent of total export earnings. Table 4 depicts the commodity composition of exports. The main exports are ores and metals. These contributed 82.9 per cent to total exports

between 1995 and 1998. This decreased to 62.3 per cent between 2000 and 2003, reflecting the increased growth of non-traditional exports. The contribution of non-traditional exports to total exports considerably increased from an average of about 17 per cent between 1995 and 1998 to an average of 38 per cent between 2000 and 2003. The agricultural sector accounts for the largest proportion of non-traditional exports. Manufactured products follow this. There are no market access problems with traditional exports. There are, however, supply side and market access constraints in increasing non-traditional exports.

Table 4: Composition of Merchandise Trade, 1995-2003 (Percentage of Total)

	Exports		Imports	
	1995-1998	2000-2003	1995-1998	2000-2003
Agriculture	8.6	21.1	9.6	10.0
Food and Feeds	5.3	11.8	8.2	9.1
Agricultural Material	3.3	9.3	1.4	0.9
Ores and Metals	82.9	62.3	2.5	0.9
Manufacturing	7.7	13.5	85.6	81.0
Fuels	0.6	0.1	1.1	7.1
Misc	0.2	3.0	1.2	1.0

Source: DTIS

Manufactured products contributed 85.6 per cent of total imports between 1995 and 1998. These imports declined a little to 81.0 per cent between 2000 and 2003. The next important import is agriculture products. These amounted to 10 per cent of total imports between 2000 and 2003.

## B. DIRECTION OF MERCHANDISE TRADE

There have been significant changes in the direction of merchandise trade since 1995. A large proportion of Zambian trade increasingly takes place in preferential markets and is dominated by regional trade. Table 5 shows the direction of Zambia's merchandise exports and imports between 1995 and 2004. Zambia's major export markets are SADC, EU and COMESA countries. These, together amounted to 87.7 per cent of total exports in 2004. The most important markets are SADC countries, which accounted for 48.1 per cent of total Zambian exports in 2004. This is obviously an important phenomenon in trade policy in the sense that preferential markets dominate Zambia's major export markets.

Table 5: Direction of Merchandise Trade

	Exports			Imports		
	1995-1997	2000-2002	2004	1995-1997	2002-2002	2004
COMESA	8.5	15.2	13.4	13.4	4.7	6.0
SADC	12.0	36.8	48.1	48.0	75.1	58.9
EU	19.7	16.6	26.2	22.9	10.5	14.0
USA	4.5	1.8	2.8	4.9	2.2	2.0
ASIA	50.6	28.7	7.9	9.2	5.8	15.4
OTHERS	4.7	0.9	1.6	1.6	1.7	3.7

Source: DTIS, CSO.

SADC countries also dominate in terms of the source of imports. The Asian, EU and COMESA countries follow this. However, SADC, EU and COMESA countries dominate. They supplied 78.9 per cent of total imports in 2004. Within the group, SADC countries dominate. They supplied 58.9 per cent of total imports in 2004.

### C. SERVICES TRADE

The share of services in GDP has increased from 45.7 per cent in 1995 to 50.2 percent in 2003 indicating a strong presence of services in the economy. However, Zambia has always been a net services importer. Table 6 shows the pattern of services trade between 1995 and 2003. In 2003, Zambia received services export receipts of \$157 million and made service payments of \$408 million. Between 1995 and 2003, the deficit on the services account averaged \$244.2 million per year and services imports were an average of 11.3 per cent of GDP. Services exports have not shown any significant growth since 1995. The share of services exports in GDP has on average been 3.7 per cent. This indicates a very low level of participation in services export trade, while elsewhere the participation of countries in services export trade is significant and increasing.<sup>1</sup> Policy is needed to reverse this phenomenon.

Table 6: Structure of Services Trade, 1995 -2003 (US\$ million)

	Exports	Imports
1995	117.2	441.0
1996	93.7	344.0
1997	112.0	376.0
1998	103.0	282.0
1999	87.0	298.0
2000	115.0	340.0
2001	144.0	372.0
2002	136.0	402.0
2003	157.0	408.0

Source: BOZ

### D. COMPOSITION OF SERVICES TRADE

Table 7 shows the structure of services trade between 1995 and 2002. Both services exports and imports cover a narrow range of sectors: transport and travel.. In 2002, transport and services contributed 44.9 and 47.1 per cent of total services export earnings respectively. Together, they contributed 92 per cent of total services exports.

Table 7: Composition of Services Trade, 1995-2003 (US\$ million)

	1995	1997	1999	2002
<b>Services exports</b>				
Transportation	68	72	51	61
Travel	22.3	29	33	64
Communication	5.2	3	2	4
Business services	18	8	0	0
Other services	3.7	0	0	7
Total	117.2	112.0	87.0	136.0

<sup>1</sup> Review of Developments and Issues in the Post-Doha Work Programme of Particular Concern to Developing Countries, Note by the UNCTAD secretariat, TD/B/52/8, pp. 12-15.

<b>Services imports</b>				
Transportation	175.8	222.0	202.0	274
Travel	40.8	26	43	47
Communications	4.8	2.0	2.0	6.0
Business services	200.8	105.0	15	18
Other services	18.8	21.0	35	57
Total	441.0	376.0	298.0	402

Source: BOZ

Services imports are dominated by transport, travel and business services. In 2002, the three sectors contributed 68.2 per cent, 11.7 per cent and 14.2 per cent of total service imports respectively. Altogether, they represented 94.1 per cent of total services imports.

Since the late 1970s, Zambia has tried to diversify its export base away from its domination by copper exports. The diversification effort has been perceived as an expansion of merchandise trade only. There is need to change this perception to a focus on services trade. An expansion of services trade offers great potential to increased export earnings, not only through increased services exports, but also through increased merchandise exports made possible by the increased capacity and efficiency of the domestic services industries relevant to export production such as telecommunications, energy, financial and transport services.

The modes of relevant export interests to Zambia are Mode II (consumption abroad) and Mode IV (temporary movement of natural persons). Mode III (commercial presence) is important in terms of capacity-building in the services domestic sector.

## **V: IMPACT OF THE MULTILATERAL RULES ON THE ECONOMY OF ZAMBIA**

Since the late 1980s, Zambia has pursued a macroeconomic policy stance aimed at bringing about broad based macroeconomic stability and generating impetus for economic growth. This has been relatively successful over the years. However, as pointed out earlier, the impetus for reform has waned since 1996. Zambia needs to further push prudent fiscal and monetary policies, structural and institutional reforms, and pursue an exchange rate policy that favors exporters. This is likely to support the growth process in the export sector and ultimately real growth and poverty reduction in the economy.

There are welfare gains from removing barriers to merchandise and services trade. Liberalization under the WTO suggests that there can be benefits for Zambia. However, the multilateral rules and the process of negotiations should be fair, transparent, and equitable and should address the development concerns of poor countries like Zambia. Issues of special and differential treatment and trade-related capacity-building issues ought to become critical in multilateral trade negotiations, disciplines and implementation. These issues should feature in the WTO negotiations for Zambia.

Market access under the WTO will provide opportunities for Zambia to exploit export markets and enable it to achieve higher growth rates and reduce poverty. One important element of market access is the level of tariffs on goods and the level of commitments in services at the WTO.

Zambia in her position as LDC coordinator is playing a critical role in preparations for the sixth WTO Ministerial Conference. At the recent meeting of LDC Trade Ministers held in Livingstone, Zambia, the Ministers agreed on common positions as part of the LDC agenda. Among the positions adopted were:

- a. Binding commitment on duty-free and quota-free market access for the products from LDCs to be granted and implemented immediately, on a secure, long-term and predictable basis, with no restrictive measures introduced;
- b. Complete exemption for LDCs from any reduction commitments;
- c. Further strengthening the existing preferential schemes and the incorporating provisions in the modalities to address the erosion of preferences;
- d. Incorporation special provisions in the modalities to maintain preferences until such time as all domestic and export subsidies are removed that affect LDCs' commodities, complemented by compensatory and transitional measures to allow LDCs to fully prepare their commodity industries for open and fair competition;
- e. Increased resources and an effective delivery mechanism for trade capacity-building to address the inherent supply-side capacity constraints faced by LDCs with a view to enabling them take advantage of increased market access opportunities;
- f. The need for Aid for Trade as an additional, substantial and predictable financial mechanism to strengthen supply-side and infrastructure capacity, diversification of trade in LDCs and address adjustments challenges and costs for the effective integration of LDCs into the international trading system.

Further to Zambia's preparations for the sixth WTO Ministerial, Zambia in conjunction with other SADC Trade Ministers issued a communiqué on 23 September 2005, reaffirming their commitment to constructive participation in the process leading to the Ministerial Conference. The Ministers emphasized that all necessary efforts should be made to ensure that the outcome of the Ministerial meeting adequately reflects the trade and development needs of developing countries. The Ministers also stressed that the WTO negotiations could only be considered successful if development is at the core of the process and outcome.<sup>2</sup>

#### **A. MFN APPLIED AND BOUND TARIFFS**

Zambia's applied MFN tariff rates range between zero and 25 per cent. Table 8 and 9 show the applied and bound MFN tariff rates for agricultural and non-agricultural goods. All

---

<sup>2</sup> See Annex II.



rates are ad valorem. Zambia has bound 16.8 per cent of all its tariff lines. Agricultural tariff lines are bound at an average rate of 123.3 per cent. These were bound as a result of the Uruguay Round negotiations. Only 4.1 per cent of the non-agricultural tariff lines are bound; they are bound at an average rate of 42.7 per cent. The highest bound rate on agricultural tariff lines is 125 per cent. The minimum average bound rate is 94.2 per cent. Bound rates are in most cases more than six times higher than the applied rates. As an LDC, flexibility needs to be maintained to allow for policy innovation. Zambia could reduce its bound rates on agriculture tariff lines without much loss in flexibility. Bound rates could be reduced to ensure that the average rate was 50 per cent.

Table 8: Average MFN applied and bound tariffs for agricultural products, 2005 (in per cent)

	Applied	Bound
Fruit and vegetables	23.6	125.0
Coffee, tea, mate, cocoa and preparations	22.9	94.2
Sugars and sugar confectionery	23.8	125.0
Spices, cereal and other food preparations	20.5	125.0
Grains	5	100
Animals and products thereof	21.3	125.0
Oil seeds, fats and oils and their products	14.8	125.0
Cut flowers, plants, vegetable materials	9.4	125.0
Beverages and spirits	24.0	125.0
Dairy products	22.5	125.0
Tobacco	21.7	125.0
Other agricultural products	12.9	125.0

Source: WTO, World Trade Report 2005.

Table 9: Average MFN applied and bound tariffs for non-agricultural products, 2005 (in per cent)

	Applied duty	Bound duty	Bound duty Coverage (%)
Wood, pulp, paper and furniture	17.2	40.0	4.0
Textiles and clothing	18.9	40.0	0
Leather, rubber, footwear, travel goods	17.4	43.7	13.0
Metals	10.4	40.0	1.0
Chemicals and photographic supplies	7.7	45.0	1.0
Transport equipment	10.8	40.0	5.0
Non-electrical machinery	8.1	44.8	20.0
Electrical machinery	14.8	...	...
Mineral products, precious stones, metals	12.4	35.0	7.0
Manufacturing articles not specified	17.5	...	...
Fish and fish products	22.9	...	...
Petroleum	11.4	...	...

Source: WTO, World Trade Report, 2005.

The bound tariff coverage for non-agricultural products is very low. The bound coverage of all non-agricultural products is 4.1 per cent. The tariff lines are bound at an average rate of 42.7 per cent. The bound rates are about three times the applied rate. The negotiating strategy here, and as required under the July Framework, is to increase the binding coverage rather than reduce the bound rates. Under the current negotiations Zambia is exempted from tariff reduction

commitments because it is an LDC. It is, however, expected to increase its coverage of bound tariff lines.

## **B. MARKET ACCESS IN EXPORT MARKETS**

Market access is not a constraint to export expansion and diversification in Zambia. Most of its exports are destined to preferential markets in SADC, EU and COMESA countries. Furthermore, most of Zambia's major exports, such as copper and raw materials, have MFN tariff rates set at zero or very low rates in its export markets. Zambia has duty-free non-reciprocal access to the EU and US markets under Cotonou and EBA and AGOA Agreements. It has reciprocal duty free access to the regional markets of COMESA and SADC. Zambia can also enjoy non-reciprocal preferential rates under the GSP in the Japanese and Canadian export markets.

Preferential rates are important for Zambian products like horticulture, floriculture, sugar, coffee and cotton. Zambia's exports to the EU have been largely under the Cotonou Agreement rather than EBA. Zambian exports have faced several non-tariff barriers in its export markets, including SPS requirements, technical barriers, quotas, market standards, restrictive rules of origin and complex tariff structures and import requirements. However, the main constraints to the country's increased export earnings are limited volumes in its major export sectors, limited value addition in its export products and lack of export competitiveness because of high costs in the domestic economy and transport costs.

In the current negotiations the country needs to work with other countries to effectively address the erosion of preferences in its export markets and seek technical assistance to help the country resolve the supply-side constraints that limit the quantity and competitiveness of export products. The country could then use this breathing space to implement an export strategy that will remove the supply-side constraints and increase its competitive strength.

At the WTO negotiations the country, along with other LDCs, have demanded duty-free and quota-free market access from developed countries for all products from LDCs. This is the only long term, credible solution to market access problems for poor countries like Zambia. This should be bound at the WTO to enhance predictability and promote investment in Zambia and other LDCs.<sup>3</sup>

The country's exports are dominated by primary products, copper and metals. In the short run, this adversely affects the country's negotiating ability and participation in multilateral negotiations. The current strategy is to diversify the export base and enhance the productive sector through increased investment, technology and managerial skills. This will ultimately have spillover effect on the country's negotiating capacity. Once the country diversifies its production structure, it will boost up interest in trade negotiations. Several export sector interests in the private sector will emerge. These will push for more effective participation in the negotiations of multilateral trade rules. At the moment, this might be difficult to achieve in an economy dominated by the export of primary products.

---

<sup>3</sup> See Annex I, Livingstone Declaration.

### C. WTO COMMITMENTS IN SERVICES TRADE

The domestic services sector in Zambia is relatively open. There are very few restrictions on market access to foreign service providers. However, the sector is unorganized and unregulated. Consequently it lacks capacity, effectiveness and competitiveness. The strategy in the domestic services sector should therefore not only be that of negotiating for market access to Zambian services exporters, but also building up capacity of the services sector by allowing foreign service providers into the Zambian market. This might be difficult for policymakers because of controversy of the current privatization programme in the goods sector. This will make it difficult for policymakers to build domestic support so as to advance the relevant issues in services sector liberalization

In the current negotiations, Zambia's strategy would be to take advantage of the autonomous liberalization that has already taken place in the sector. Zambia could then put conditions on market access of foreign service providers on this *de facto* liberalization using GATS Article IV and GATS Article XIX. This can only be done through commitments at WTO. The government could then target the key service sectors that have a cost linkage effect with export production and overall competitiveness. These are telecommunications, financial services, and transport and energy services.

Zambia is in a disadvantaged position in the negotiations on market access for its service exporters. This is because of the lack of capacity and competitiveness of the sector. However, the country should participate in the negotiations because rules that would have a bearing on the country are in the process of being negotiated. The country would have an interest in the export of transport services, tourist services and in Mode IV. The benefits to Mode IV are likely to be limited and concentrated on its professionals such as doctors, nurses and teachers. The export of transport services and mode IV has a strong regional character.

Table 10: Zambia's Schedule of Commitments at the WTO

Sector	Limitations on MA	Limitations on NT
<b>Horizontal commitments</b>		
All sectors	4) Unbound except for measures concerning entry and temporary stay of natural persons employed in mgmt and expert jobs for implementation of FDI. The employment of such persons to be agreed upon by MOH and there should be local training.	3) with permission from BOZ, foreign companies can obtain loans or overdrafts up to one-third of the value of its paid-up capital. 4) Unbound except for measures concerning the categories of persons referred to in the market access column.
<b>Specific Commitments</b>		
Professional services: accountancy; medical and dental services; services provided by midwives, nurses, Physiotherapists and para-medical personnel. Other business services. Technical testing and analysis services, services	1) None 2) None 3) None 4) Unbound except as indicated in the horizontal section.	1) None 2) None 3) None 4) Unbound except as indicated in the horizontal section.

incidental to mining, exploration Construction and related engineering services: Health-related and social Services. Hospital services; other human health services. Tourism and travel-related Services.		
---	--	--

Source: MCTI

At the conclusion of the Uruguay Round negotiations, Zambia opted to make commitments in a few service sectors such as business services, construction, health and tourism that were relatively more open than others at the time. These are shown in Table 10. The country decided to bind the status quo, i.e. the existing level of liberalization in those sectors. In the negotiations, there might be need to clarify some of the horizontal limitations and make them more transparent.

## **VI: NON-TRADITIONAL EXPORTS AND EXPORT PERFORMANCE**

Trade performance continues to be influenced by the volume of copper production and the price of copper. Copper production has been falling in the past decade, mainly due to structural problems and lack of re-investment in the sector during the 1980s and 1990s. Copper production fell by 52 per cent; from 661 metric tones in 1980 to 320 metric tones in 2003. The real copper price index fell by 20 per cent, from 93 in 1980 to 69 in 2003. However, there has been some reversal in this trend recently. The performance of the external sector has somewhat improved with the growth of exports other than copper, but not sufficient to compensate for the loss of export earnings resulting from the poor performance of the copper sector.

One of the significant results of the reform effort of the late 1980s is the increased production of non-traditional exports. Over the years, non-traditional exports have increased their contribution to total exports. In 1995, non-traditional exports were estimated at \$199.3 million. This was 16.1 per cent of total exports and 5.7 per cent of GDP. In 2003, non-traditional exports had increased to \$415.2 million, contributing 38.3 per cent to total exports and 9.7 per cent to GDP. Most of the exports are in agriculture, agro-processing, tourism, textiles and garments and light manufacturing where Zambia has a comparative advantage. Zambia has great potential to deepen this process by pursuing supporting policies that favour and enhance export production.

Table 11 shows the contribution of various products to non-traditional exports between 1995 and 2003. The most important non-traditional exports are primary agricultural products. These were estimated at 28 per cent in 2004. This is followed by engineering products and processed foods. These contributed 18.9 and 9.8 per cent respectively to total non-traditional exports in 2004. Horticultural and floriculture products contributed 9.76 per cent, while textiles and garments contributed 4.97 per cent in 2004. This increase in non-traditional exports has been supported by the preferential access to the European and regional markets.

In order to deepen this process, the country needs to complement the “horizontal policies” that apply to the economy with more targeted, sector-specific policies in those sectors that the country has a competitive advantage. These products are sugar, cotton, coffee, tobacco, paprika, horticultural and floricultural products, textiles and garments, processed foods, tourism. For example, Zambia is an exporter of sugar to the EU and to the world market. It is among the five lowest cost producers in the world. Exports could increase through resolving the supply-side constraints. Zambia is competitive in tobacco production. Increased investment in the sector would increase output and achieve the production levels of the 1960s. The country is a low cost producer of coffee and competitive in cotton and paprika production. The country needs to increase capacity and investment in these sectors. Enhanced market access opportunities for the country in these products will increase exports and diversify export production and resolve the export risk facing the country as a result of a non-performing export sector. It will also promote growth and reduce poverty because most of the products are in sectors that are resource-based and labour intensive. This will also create opportunities for new activities that add value, e.g. increased cotton and paprika production.

Table 11: The Distribution of Non-Traditional Exports, 1995-2003  
(Percentage of Total Exports and Total Value)

Sector	1995	1997	1998	1999	2000	2001	2002	2003
Animal products	0.32	1.04	1.36	1.53	1.27	0.99	1.41	0.81
Building material	2.96	3.65	2.84	2.47	3.27	2.30	1.68	2.68
Chemical products	1.15	2.38	2.28	2.08	2.66	1.58	3.91	2.34
Engineering products	19.75	10.28	10.01	8.15	7.78	6.84	6.03	7.04
Floricultural products	8.89	2.25	10.72	14.95	12.79	10.98	8.22	5.42
Garments	0.20	0.08	0.12	0.12	0.15	0.07	0.06	0.05
Gemstones	3.95	4.43	3.84	4.68	5.83	6.54	10.08	5.65
Handcrafts/Curios	0.05	0.03	0.05	0.07	0.09	0.07	0.10	0.05
Horticultural products	1.28	1.72	6.30	8.12	10.33	11.72	12.19	11.12
Leather	0.60	0.68	1.04	0.65	1.64	1.26	1.12	0.99
Minerals	0.37	0.16	0.18	0.34	0.43	5.68	6.92	10.78
Mining equipment	0.04	1.14	1.04	1.17	2.77	0.20	0.38	0.00
Other manufactures	0.01	0.92	1.02	2.12	1.65	2.95	2.65	3.72
Petroleum oils	5.43	0.55	2.26	2.25	0.17	0.53	0.38	4.66
Primary agricult. Products	11.85	27.68	19.10	21.75	14.01	16.54	20.77	23.67
Processed foods	12.84	9.40	15.63	11.52	13.43	13.85	11.88	10.61
Re-exports	0.00	1.19	1.60	0.94	1.49	1.36	1.52	0.81
Scrap metal	0.00	1.83	2.45	2.14	1.93	1.31	0.86	0.89
Textiles	17.28	15.41	14.04	12.35	13.61	11.00	6.96	6.29
Wood products	0.60	1.03	2.43	0.82	1.47	1.21	0.86	0.73
Electricity	12.41	4.51	1.68	1.75	3.23	3.01	1.99	0.02
Total value (US\$ m)	199.3	329.5	313.4	304.5	263.6	311.8	368.3	415.2

Source: DTIS

In its export strategy Zambia needs to promote specific export products that the country has a competitive advantage in. JITAP’s export strategy could assist Zambian firms to understand the dynamics of the production processes of the modern economy in order to

effectively compete in global markets. This learning process is not a short-term affair and requires public-private partnership. JITAP could play an important role in this regard. This can be done whilst addressing the behind the border policies, which further enhance the competitiveness of the domestic economy. At the multilateral level, the country should lobby for the treatment of erosion of preferences and for duty-free and quota-free market access for products of least developed countries in export markets of developed countries.

Although Zambia has market access opportunities to the EU and regional markets, it faces several trade restrictions in both the EU and the regional markets. There are quota restrictions on exports to the EU, e.g. there are quota restrictions on sugar exports under EBA. There are also quota restrictions on exports of sugar to the SADC market. The rules of origin are cumbersome and the conformity costs are very high in both EU and SADC markets. There are also restrictive product specifications in some COMESA markets. The procedure for SPS certificates for export of wood products is cumbersome and costly. Non-tariff barriers are a major factor inhibiting the growth of SADC trade. Therefore, in both its multilateral and regional negotiations Zambia should focus on the removal of non-tariff barriers.

Zambia's membership has the potential to facilitate the country's external trade and the country's integration into the global economy. However, much of the trade reform that has taken place in the country has been under IMF and World Bank structural adjustment programmes. There have been independent policy measures taken to implement specific WTO agreements such as the Customs Valuation, TBT and SPS. Zambia adopted the WTO Customs Valuation agreement in 2000. The WTO Agreements has been more effective in providing a framework in which trade measures can be analysed and taken. In some cases, national policy measures have been taken without taking WTO obligations into. This is also true for obligations under the GATS Agreement.

Zambia is also a member of two key regional bodies, SADC and COMESA. This overlap of membership creates a challenge to the policymakers in terms of compliance and effective implementation of the different agreements. This situation makes the trade regime complex with the implementation of preferential provisions contained in different agreements. It affects the incentive structure for the private sector in the country. A businessman sourcing inputs from Zimbabwe has to decide which agreement to use to process the importation. It also strains limited administrative resources and negotiating capability at the Ministry of Commerce, Trade and Industry, as they have to administer and monitor the agreements. Ultimately, these factors slow the pace and depth of the integration process in the region. Both SADC and COMESA aim to establish a customs union. At that point, Zambia has to opt for one of the regional arrangements. It might be better for Zambia to delay opting out of one of the organizations until such a time.

Zambia has market access opportunities to markets of developed countries through the Generalized System of Preferences. The country is eligible for preferences under the GSP schemes for US, EU and Japan. These preferential schemes are important for Zambia's non-traditional exports like horticultural, floricultural products, sugar and cotton. However, the schemes are not important for the main export products like copper and raw materials because the MFN rates for these products are very low or zero. Zambia has participated in these schemes, but the rate of utilization is very low. The major constraints are Zambia's limited supply

capacity, the restrictive rules of origin and sometimes there are certain safeguards in the form of ceilings of GSP benefits for each product and country. Furthermore, the preferences are unilateral and can be removed at anytime. Zambia's exports under AGOA are insignificant. Most of the products are exported through third countries, especially South Africa and Botswana. Many of Zambia's exports MFN tariffs are zero or low (copper and raw materials). Preferential rates are important for horticulture, floriculture, sugar, and cotton.

GSP schemes are important for Zambia's economic development. Calls have been made in recent years for a reform of GSP schemes, for the reason that the schemes have played and will continue to play a positive role in the export and development performance of developing countries. UNCTAD argues that one effective way in increasing the predictability of GSP schemes is to bind the duty-free and quota-free treatment granted to LDCs under GSP schemes in the WTO. In this respect, it should be noted that there was a proposal in the draft WTO Seattle Ministerial Declaration (1999) to bind such preferential treatment in the WTO (Onguglo and Ito 2001: 18), as a way of increasing the coherence and predictability and, ultimately, the development benefits of such preferential schemes for their beneficiaries (Puri 2005: 21,22). The report of the Commission for Africa also recommended that such preferential schemes be bound in the WTO on a permanent basis, as a means of promoting investment in productive capacities (Commission for Africa, 2005: 294).

The importance of binding preferential market access in the WTO can be justified on economic grounds from both a trade perspective and an investment point of view. This justification is based on various estimates that an ambitious Doha round could provide global welfare gains between \$80 to \$250 billion, which would help lift about 100 million people out of poverty. This can in part be possible if preferential market access are bound, which in turn could provide a more target early harvest for millions of people living in LDCs, such as in Zambia, by providing secure market access to major developed markets to LDC producers. This could act as a powerful investment incentive to firms that are looking for new opportunities, or could assist in integrating existing LDC firms into the global production chain (Puri 2005: 23).

## **VII: IMPACT OF REGIONAL TRADE NEGOTIATIONS**

Zambia is a signatory to three key regional arrangements. These are the COMESA Free Trade Area, the SADC Preferential Trade and the Cotonou Agreement under the European Union. Both COMESA and SADC have the ultimate objective of creating a free trade area, as well as a customs union. Zambia and other countries in eastern and southern Africa are negotiating an Economic Partnership Agreement under the Cotonou Agreement. This would expand the preferential trading area to include the EU and the several African countries. These regional trade arrangements have had a significant impact on Zambia. This can be seen by the changes in the direction and composition of both exports and imports over the last few years. The EU is a major trading partner. However, the analysis of COMESA and SADC is complicated by the overlapping membership of some of its members.

### **A. COMESA FREE TRADE AREA**

The COMESA Free Trade Area was formed in 2000. The objective is to move to a Customs Union. Eleven countries are currently members of COMESA. All the members have

removed all tariffs on goods originating from member countries. Non-FTA members continue to offer market access at preferential rates. The COMESA market is very important for Zambia. It accounts on average for about 15 per cent of total exports and about 30 per cent of non-traditional exports. In 2004, COMESA countries imported about 13.4 per cent of Zambia's goods, an increase from about 8.5 per cent between 1995 and 1997. However, it is not an important source of Zambia's imports. Regional countries accounted for 6.0 per cent of Zambia's total imports in 2004, and this figure is declining. Table 12 shows the trends of exports and imports between Zambia and the FTA members in 2000 and 2003. Zambia's largest export market is Congo D.R. It accounted for 40 per cent of total COMESA exports in 2003. This is followed by Zimbabwe, Malawi and Kenya. These countries contributed 20 per cent, 22 per cent and 9 per cent of total COMESA exports respectively. Zambia's largest import market is Zimbabwe. In 2003, it contributed to 76 per cent of the total regional imports of Zambia. Kenya, Malawi and Congo D.R follow this with 9, 4 and 5 per cent, respectively, of total regional imports in 2003. Zambia's COMESA trade has been concentrated among these countries.

Table 12: Zambia and COMESA FTA Trade, 2000 – 2003 (Percentage and total value)

Country	Exports		Imports	
	2000	2003	2000	2003
Burundi	2.77	3.81	0.36	0.00
Djibouti	0.00	0.00	0.00	0.00
Egypt	0.12	0.98	0.49	0.71
Kenya	4.84	6.20	2.44	8.94
Madagascar	0.00	0.00	0.00	0.00
Mauritius	0.42	4.12	3.98	0.81
Malawi	17.48	22.43	2.37	3.62
Sudan	0.34	0.10	0.01	0.00
Zimbabwe	21.87	20.29	65.29	76.18
Congo DR	41.56	40.66	11.56	4.60
Others	10.60	1.41	13.50	5.14
Total Value (US\$m)	89.38	90.2	102.14	260.42

Source: Central Statistical Office

Zambia's export products consist mainly of processed foodstuffs, sugar and construction products like cement, cables, and copper rods. The country imports mainly edible oils, foodstuffs and simple manufactures.

The COMESA FTA has liberal rules of origin. However, they do discriminate against landlocked member countries (DTIS, 2005, 17). This is because COMESA's RoO requires that imported inputs be valued at CIF prices, although transport costs incurred in transit through Member States can be deducted. However, when these transport costs cannot be ascertained, the CIF value in the country in which they are processed must be used. For most products, the invoice that customs uses for valuation purposes does not contain information on transit transport costs. It is imperative that this issue be addressed to avoid the high transport costs incurred by landlocked countries compared to those borne by other countries. Zambia's strategy under COMESA FTA is to work towards improving trade facilitation and harmonizing policies within the FTA.



## B. SADC PREFERENTIAL TRADE AREA

The SADC PTA has been implemented since 2000. The objective is to create a free trade area by 2008 when 85 per cent of its trade will be duty free and a Customs union by 2010. The SADC PTA provides for the phased elimination of all tariffs over time and the elimination of all existing non-tariff barriers to trade. All tariff lines are classified into four categories. Category A consists of products subject to immediate duty free access in 2000. Category B consists of products subject to a phased reduction of tariffs within eight years. Category C consists of sensitive products. Category D consists of products such as arms and ammunition exempt from the tariff reduction process.

Zambia has reduced tariffs on products in category A to zero. It is currently implementing tariff reductions on category B products. However, the implementation of the SADC Trade Protocol commitments has been slow and there has been substantial back loading of tariff reductions by members. The major problems are the strict and complex rules of origin and non-tariff barriers to trade are pervasive and increasing. This has inhibited intra-SADC trade. However, SADC is an important market for Zambian exporters. Table 13 shows the trends of trade between Zambia and SADC members in 2000 and 2003. Zambia's trade with SADC countries is substantial and increasing. South Africa is the major export destination for Zambian products. It contributed to 49 per cent of total SADC exports in 2003. It is also a major source of imports. It contributed to 74 per cent of total imports from SADC countries in 2003. The other important SADC trading partners are Zimbabwe, Congo D.R. and Malawi. Congo D.R., Malawi and Zimbabwe respectively contributed 9 per cent, 5 per cent and 4 per cent to total SADC exports in 2003. Congo D.R., Malawi and Zimbabwe are also Zambia's major trading partners under the COMESA FTA.

Table 13: Zambia and SADC trade, 2000 – 2003 (Percentage and Total Value)

Country	Exports		Imports	
	2000	2003	2000	2003
Angola	0.15	0.27	0.00	0.00
Botswana	1.24	0.81	0.94	0.41
Mozambique	0.08	0.14	1.55	0.93
Malawi	6.29	4.80	0.41	0.93
Namibia	0.77	0.20	0.25	0.35
Zimbabwe	6.90	4.35	11.22	19.48
Tanzania	2.20	31.17	1.50	2.31
Congo DR	14.96	8.71	1.99	1.18
South Africa	67.16	48.57	80.90	73.55
Mauritius	0.15	0.88	0.69	0.21
Seychelles	0.00	0.00	0.00	0.00
Swaziland	0.08	0.06	0.67	0.00
Lesotho	0.01	0.04	0.00	0.43
Total Value (US\$m)	248.31	421.31	594.19	1,081.00

Source: Central Statistical Office

Zambia's trade within SADC is dominated by the country's trade with South Africa. Major products imported include iron, steel, vehicles, paper and paper products, industrial equipment, petroleum products, foodstuffs and beverages. The major exports are cotton lint, poly

cotton, cotton yarn, cotton seed and stock feeds, fresh vegetables, sugar, molasses, processed foodstuffs, copper rods, wires and cables, scrap metal, wood and electricity.

Zambia should continue to participate actively in SADC. It should use its limited negotiating capacity to strengthen the SADC FTA arrangements and should work to improve and liberalize the SADC rules of origin, the removal of non-tariff barriers in SADC trade and insist on the harmonization of SADC and COMESA objectives. Because South Africa is the largest source of imports for Zambia, policymakers should work towards a tariff reduction process under SADC that is consistent with Zambia's MFN liberalization. This will avoid trade diversion. Zambia could also push the agenda on services trade.

### **C. THE EU AND THE COTONOU AGREEMENT**

The EU is a major market for Zambia's exports. In 2004, exports to the EU stood at 26.2 per cent of total exports. It is the second most important export market after the SADC market. Furthermore, it is a major market for the non-traditional exports such as cotton, sugar, tobacco, cut flowers, and horticultural and floricultural products. Most of these exports have utilized the preferential market access under Cotonou. However, the rate of utilization of the preferences is low. Zambia utilizes only 37.1 per cent of the available preferences in the EU market (Brenton and Ikezuki, 2003).

As a least developed country, Zambia has also preferential access to the EU market through the EBA. This initiative was introduced in 2001. It granted duty free access to imports of all products from least developed countries with the exception of arms and ammunitions. All quantitative restrictions were removed. Liberalization was immediate except for fresh bananas, rice and sugar. Zambia has not gained much from this scheme. There is currently low utilization because of supply capacity and the country does not export the products that were immediately liberalized. Furthermore, the rules of origin are more stringent than under Cotonou. The costs of getting the certificate of conformity with the rules of origin are high. It has been estimated that the average cost of complying with requirements to obtain preferential access in 2002 is 8.4 per cent (Breton and Ikezuki, 2002, 14).

Zambia is a signatory to the Cotonou Agreement between the EU and ACP countries. Under the agreement, there are currently negotiations going on for an EPA between the EU and the ACP countries as a regional group in eastern and southern Africa. Zambia is part of these negotiations, along with 15 other countries. The EPA is to be effective in 2008. Zambia should pursue certain strategic interests that would promote the growth of its non-traditional export sector in the economy. The country should work for the improvements in the rules of origin both under the Cotonou Agreement and the Everything but Arms initiative. The demand for increased financial and technical assistance to help the country address the supply-side constraints in the production and marketing of export products should be a key issue. As a least developed country, Zambia should ensure that special and differential treatment is mainstreamed in the Economic Partnership Agreement (EPA). In this regard, Zambia should seek the principle of less than full reciprocity, asymmetry in market access and the development concerns of LDCs entering into regional arrangements with developed countries. Zambia could also negotiate for the EU to grant greater access to its agricultural markets by pushing for zero tariffs for all agricultural products from least developed countries in the EPAs.

As an LDC Zambia has access to EU market under both EBA and CPA, as such Zambia has little to gain from entering into reciprocal free trade with the EU under EPAs. For Zambia to do so would mean that the EPAs need to offer Zambia benefits beyond those provided under the EBA initiative. Zambia would benefit from signing an EPA if the EU maintains the developmental aspects of EPAs, and the agreement is crafted to support the development needs of ACP countries. One area critical to Zambia in signing an EPA relates to loss of revenue from lower tariffs on imports from the EU. The United Nations Economic Commission for Africa (UNECA), estimates the revenue for Zambia under the EPA process to be 0.29 per cent of GDP, a revenue shortfall of \$15,844,184. Another risk involved in the EPA process could be, for example, if Zambia and other African countries are obliged to liberalize at a faster pace and not in line with their own poverty reduction and development plans. On the other hand, UNECA estimates that if the EPAs are properly implemented with sequencing which provides immediate unrestricted access to EU markets, and assist regional integration in SSA and their capacity to trade, EPAs could yield gains of up to \$8 billion for SSA, with gains of \$1.2 billion from regional integration. This would be possible if flexibilities are built into the agreements to accommodate the diverse interests of countries in the same EPA, and also the need to make some of the issues open taking into account the changing economic landscape.

One of the objectives of the EPA process is to promote regional integration. The process could have an impact in breaking the barriers to intra-regional trade among African countries. Equally important is Africa's involvement in wider South-South trade cooperation, as growing South-South trade provides an opportunity for African countries to catch on to this rising locomotive of the South. Africa's trade with other developing countries is growing strongly, compared to its trade with its traditional trading partners. Other developing countries are providing expanding markets for African countries, increasing the scope for further expansion. Africa's trade in goods with other developing countries accounts for about 28 per cent of its total trade in goods with the world.<sup>4</sup> African-Asian developing countries' trade has been particularly dynamic, rising to more than \$58 billion in 2003, as compared to \$12 billion in 2000. Similarly, trade between African and Latin America countries is also growing. There is potential to expand such trade further. The Global System of Trade Preferences among Developing Countries (GSTP) provides an ideal instrument for African countries, especially LDCs, to secure preferential market access into the growing markets in the South, without competing with developed countries. The third round of GSTP negotiations affords an important and unique opportunity for African countries' members of the GSTP Agreement to engage actively in the negotiations to obtain commercially meaningful benefits, including through deeper preferential market access. It also provides many African countries that are not yet members of the GSTP Agreement an opportunity to participate in the negotiations and to acceding the GSTP Agreement.

---

<sup>4</sup> 2002 data from UNCTAD Handbook of International Trade Statistics, 2004.

## **VIII: ASSESSMENT OF ZAMBIA'S ADAPTATION AND ADJUSTMENT OF NATIONAL LEGISLATION TO WTO AGREEMENTS**

Zambia is a member of WTO. It is a signatory to the five key agreements, the Agreement establishing the WTO, GATT 1994 and its subsidiary agreements, GATS, TRIPS and the Understanding on Dispute Settlement. As a member of SADC and COMESA, it is also a signatory to the COMESA Agreement and the SADC Trade Protocol. As a member of the EU-ACP group it is a signatory to the Cotonou Agreement. Zambia is also a signatory to the AGOA Agreement between the USA and several African countries. Since the WTO is a multilateral institution, the bilateral and regional agreements are expected to be coherent with the WTO multilateral regulations and disciplines. Zambia is obliged to bring its national legislation in conformity and compliance with the WTO Agreements.

The country has tried to adapt and adjust some of its national legislation to conform and bring it to full compatibility with its WTO rules and obligations. This process has been inhibited by lack of trade capacity in understanding WTO rules and obligations, financial and human resources. As an LDC, the country has faced major constraints in the adoption and implementation of multilateral rules and disciplines.

The power to negotiate and sign international agreements is vested in the President. To adapt an international treaty to the Zambian conditions, it requires national legislation. An Act of Parliament has to pass to bring Zambian law into conformity with an international treaty. This is because Zambian laws have priority over international treaties. This includes the WTO agreements and any regional agreement.

The MCTI formulates, implements and reviews Zambia's trade policies and, in consultation with other stakeholders, leads the adaptation of international trade treaties into national legislation. The MCTI will ensure in its negotiations with other countries in the regional groupings that the rules and procedures adopted for regional integration comply with WTO rules and disciplines.

The country has implemented some of the WTO agreements. Zambia adopted the WTO Customs Valuation Agreement in 2000. Arrangements were made to change the valuation system from the Brussels Definition of Value to the WTO system of Customs Valuation. Within the Customs and Excise Act, it has tried to adopt legislation on Safeguards and Anti-dumping and countervailing duties. There has been no effort to adapt GATS regulations to national legislation. The 2003 Construction Act seems to be in conflict with the country's WTO commitments in engineering and construction. There are many measures in the health services sector that are not consistent with GATS. Because of the lack of capacity, the country has not taken any actions to implement the TRIPS Agreement.

The MCTI faces major human resource constraints, both in terms of numbers and capacity. The implementation-related difficulties are attributed to a lack of capacity in the ministry and in implementing agencies. These difficulties are related to the adoption of legislation, implementation of legislation, such as legislation on Anti-dumping and Countervailing Measures, financial and administrative capacity to implement WTO Agreements

such as TBT and SPS, training of government officials and stakeholders on WTO and negotiation skills. Zambia will need technical assistance to overcome and enhance this activity.

The difficulties faced by developing countries in implementing WTO agreements, the advance of the Doha negotiations, including their implications for preference erosion and the expiration of the WTO Agreement on Textiles and Clothing and resultant increase in competition, developing countries are concerned with adjustment-related issues. The expiry of this Agreement on 1 January 2005 brought to an end the discriminatory trade regime that for over 40 years had governed and restrained textiles and clothing exports from developing countries. Similarly, preference-dependent developing countries would face challenges arising from preference erosion consequent to a multilateral reduction of tariffs and the proliferation of regional integration agreements. Recent estimates indicate losses for preference-dependent countries. The July Framework responded to those concerns by reaffirming the importance of long-standing trade preferences. Yet, negotiations under agriculture and non-agricultural market access have proved controversial owing to differing interests between preference-dependent countries and other competitive exporting countries. Preference erosion requires both trade and development solutions both within and outside the WTO, including through the improvement of preferential schemes and their utilization, the simplification of complex and stringent rules of origin and the adaptation of rules of origin to the industrial profile of developing countries (UNCTAD 2005b).

Based on the above, it has become increasingly and widely recognized that adjustment support to trade and trade-related shocks, reform, liberalization, and trade capacity-building should be integrated *ex ante* into trade agreements to facilitate the implementation of liberalization commitments and promote the beneficial participation of developing countries in world trade. A specific mechanism to meet the financial requirements for adjustment challenges arising from, *inter alia*, preference erosion, textile quota elimination, the commodities problématique and government revenue losses could be met through the creation of an 'Aid for Trade' fund.

Building a productive supply capacity and competitiveness structure will require seed funding by donors and coherence among international organizations. The creation of an Aid for Trade fund was recommended in the United Nations Millennium Project report and endorsed by the report of the Commission for Africa. Key questions related to the Aid for Trade fund include: (a) its size and scope; (b) where it should be located and how it should be managed; (c) what areas and countries should be targeted for support; and (d) how it should be related to the outcomes of the Doha round and its potential agreements (Puri, 2005). An UNCTAD study suggested that for optimum impact, such a facility, in addition to adjustment support, could enable countries to invest in productive capacity, particularly in new and dynamic products, infrastructures, regulatory systems, institution building, transfer of technology, trade facilitation and social safety nets. Such new funding needs to be non-debt-creating, most come on top of existing development aid flows and channelled directly to recipient countries and, where appropriate, should utilize public-private partnerships seeded by donor funding.

## **IX: NEGOTIATING STRATEGIES**

### **A. CAPACITY FOR TRADE NEGOTIATIONS**

The major challenge is to make the economy competitive, including through maintaining policy flexibility while at the same time push for increased market access opportunities in export markets. This will help to foster growth and reduce poverty. Trade is therefore very important in Zambia's development process. Its participation in WTO and other regional arrangements is premised on this strategy.

One might argue that the participation of Zambia in multilateral trade negotiations is not of immediate benefit to the country and that there are little potential gains in terms of market access because the country's main export markets have preferential schemes. Zambia is therefore not expected to actively participate in multilateral trade negotiations. On the contrary, the country needs to participate in multilateral trade negotiations as rules that would have a bearing on them in the medium term are in the process of being negotiated. However, commitments need not necessarily result from its participation.

Zambia should therefore participate actively in regional and multilateral trade negotiations to ensure that its longer-term trade interests are adequately reflected in the agreements. In the negotiations, Zambia seeks concrete measures to deal with the erosion of preferences in its export markets. However, its long-term goal should be to build a competitive domestic economy and to deepen market access opportunities in its export markets. In the negotiations, it could focus on improving on the non-tariff aspects of trade agreements, such as improving the rules of origin and trade facilitation. This should be supported by domestic policies that support export growth, such as prudent macroeconomic policies, an exchange rate that supports export production and policies that improve the administrative and regulatory environment affecting business. This is important for domestic competitiveness.

The key players responsible for the design and implementation of trade policy in Zambia are the MCTI, the Ministry of Agriculture and Cooperatives and the Ministry of Finance and National Planning (MOFNP). Several statutory bodies under its jurisdiction such as the Export Board of Zambia and the Zambia Bureau of Standards assist the MCTI. The Zambia Revenue Authority assists MOFNP. Other government ministries are also important, such as the Ministry of Justice, Ministry of Transport and Communications and The Ministry of Tourism and Natural Resources.

The private sector participates in trade policy formulation and implementation. It has been active in negotiations at WTO, SADC, and COMESA and under the Cotonou Agreement. The major private sector organizations are ZACCI, ZNFU and ZEGA. The private sector and civil society have been included in delegations to WTO ministerial conferences and regional meetings. Their presence has been significant in the delegations to the Seattle, Doha and Cancun ministerial conferences. The prominent civil society organizations on trade matters are the JCTR and CSTNZ.

The national consultation process is inclusive, although not yet effective. There is a National Working Group on Trade. This is composed of representatives from ministries, statutory bodies and representatives of stakeholders from the private sector and the NGOs. Sub-committees support the NWGT. There is one on Cotonou, services and WTO issues. The secretariat is at MCTI in the Department of Foreign Trade. The NWGT and the sub-committees meet as need arise. The major constraints in this consultative process are financial and human resources to support the work of the committees and the lack of acceptability and commitment from other government ministries and the private sector.

Participation in regional and multilateral trade liberalization processes calls for well prepared, well informed and well supported trade negotiations. The MCTI has identified three sets of capacity-building requirements needed to participate effectively in regional and multilateral trade negotiations: (i) capacity to negotiate; (ii) compliance with trade agreements negotiated; and (iii) enhancing competitiveness of production (UNCTAD 2005a: 8). The multi-stakeholder forum constituted is the NWGT under JITAP. JITAP is providing support to the NWGT under Module 1, that is, MTS institutional support, compliance, policies and negotiations. Under this Module, UNCTAD assists the NWGT in four areas: (a) constructive dialogue among government institutions, the business sector, academia and civil society to advise the government of their concerns and priorities regarding WTO issues and other trade agreements (regional, ACP-EU) on which decisions need to be taken by the country; (b) effective participation in the negotiations in WTO particularly under the Doha Work Programme and other trade negotiations; (c) formulation of national trade policy in the context of the multilateral trading system in particular, and the international trading system in general, and strengthening linkages with national development plans; and (d) effective use of rights and implementation of obligations of the WTO agreements. In Zambia, the NWGT constitutes the institutional mechanism for a more effective engagement in international trade and the trading system so as to ensure beneficial integration and realize development gains.

Zambia is in a disadvantaged position in regional and multilateral negotiations. It lacks adequate capacity and resources to meaningfully participate in the negotiations. On the other hand, it needs to participate in negotiations as rules that would have a bearing on the country in future are being negotiated. The negotiating objectives of the country are to increase market access opportunities for Zambian export producers. As an LDC, it also seeks to ensure that special and differential treatment provisions in all trade negotiations address its development concerns. The country aims work to strengthen the existing preference schemes until such time that all domestic and export subsidies are removed in developed country markets. Zambia could negotiate for increased financial and technical assistance and capacity building programs for its export sector. This is to facilitate the implementation of WTO commitments and obligations.

In relation to the EU-ACP EPA negotiations, there is an urgent need to negotiate for clear WTO rules to address the principle of less than full reciprocity, asymmetry in market access and development concerns of LDCs entering into regional arrangements with developed countries under the GATT 1994 Article XXIV and GATS Article V.

## **B. TRADE POLICY PROCESS**

The MCTI formulates trade policies and makes policy decisions. In this capacity, it involves and consults its implementing agencies such as EBZ, ZBS and ZEPZA. It also consults stakeholders in the private sector, other government ministries and statutory bodies. It has its own internal database in the ministry but collects data also from other government institutions such as CSO, BOZ and ZRA. It also engages local and international consultants to help the MCTI with the analytical work. The MCTI has an information and planning unit with a library and a computer database that acts as a resources unit for the ministry.

There is consultation in the formulation of strategies and policies among government ministries and all stakeholders. The MCTI has a National Working Group. The group consists of representatives from other government ministries and the private sector who are stakeholders in the process. The major ministries participating in this group include the Ministry of Finance and National Planning, Ministry of Agriculture, the Ministry of Justice and the Zambia Revenue Authority. The major private sector organizations are ZNFU, ZACCI and ZEGA. For specific issues, sub-committees are formed and make recommendations to the NWGT. The consultations with the NWGT feed into the formulation of strategies and policies by the MCTI.

Although, the burden of trade negotiations is on MCTI, the stakeholders are consulted and involved through out the process. Stakeholders from government and the private sector participate in some of the negotiations. For example, the private sector was consulted and involved in the negotiations of the SADC Trade Protocol and the COMESA Free Trade Agreement and are involved in the EPA negotiations currently taking place under the Cotonou Agreement. Stakeholders have also been included in the ministerial delegations to the WTO Ministerial Conferences in Seattle, Doha and Cancun. There is also consultation between the stakeholders and government in the implementation of trade policy. However, the revenue implications feature strongly in all decisions. In this respect, MOFNP is always consulted and has to agree to all decisions with revenue implications.

The MCTI has not created a sustainable monitoring and evaluation mechanism to analyse trade agreements and trade policy. There are isolated pieces of work done by consultants. This is usually short term and for a specific purpose. The results of the work are not fully disseminated to stakeholders. There might be the need to capacitate the Planning and Information unit at the MCTI to do this kind of work.

Because Zambia is landlocked, small and poor, it will need a very forceful export strategy for it to bring about export development and sustainable economic growth. To achieve this, the country needs to focus on three areas. It should aim to create a competitive domestic economy. This will entail advancing the institutional and trade reform agenda that has stalled since 1996. Secondly, it should focus its export development on the key priority products and sectors. There should be policies to support growth in these sectors. Policies ought to be designed to accelerate investment in the priority sectors and products. Third through its participation in multilateral and regional trade negotiations, the country should continue to push for increased market access opportunities at the regional and multilateral level for its products.



## **X: RECOMMENDATIONS**

### **A. Key Objectives in Trade Negotiations**

Zambia's exports have experienced little real growth since the 1980s. It actually can be argued that in real terms Zambia's exports have declined. The lack of real export growth poses the greatest risk to Zambia's efforts to achieve development goals of generating real growth and reducing poverty. It poses a great risk to Zambia's stabilization efforts and growth prospects. The key issues are therefore how the trade negotiations contribute to increasing market access opportunities for Zambian products and contribute to making the domestic economy competitive. It is only the resolution of these key issues that will make it possible for Zambia to expand its export sector, grow and reduce poverty.

Zambia should continue to participate actively in the WTO, especially in the Doha Round and other trade negotiations under the different agreements because rules and disciplines that are being agreed on have and will ultimately have a bearing on the country. As already pointed out, it is important to participate even though participation does not result in commitments. Therefore the country should participate actively in regional and global trade negotiations to ensure that its longer-term trade interests are adequately reflected in the agreements.

In the negotiations at the multilateral level Zambia could push for increased secure market access opportunities for LDCs. The country needs to negotiate quota- and duty-free markets for products of LDCs to developed country markets. LDCs have requested that such treatment should be bound at WTO. It also needs to ensure that special and differential treatment issues are enshrined in all WTO agreements and seek disciplines for financial and technical assistance to assist LDCs overcome their supply-side constraints. The country can push for negotiation of WTO rules to define the relationship and obligations of a developing country participating in a regional trade agreement with developed countries. It might be important to resolve this issue in the WTO negotiations on rules under GATT Article XXIV before the EPA negotiations are concluded between the EU and the ACP countries.

Zambia should work with other countries in seeking to deal with the erosion of preference it enjoys in its current export markets. At the same time, it should devise export development and investment programs in the priority export sectors and products. This will reduce the cost of production and marketing in those products that are enjoying preferences so that by the time the preferences are completely eroded the export industries will be competitive and sustainable. A good example is sugar and tobacco. Zambia is among the most competitive sugar producers in the world. Despite this Zambia is faced with high costs and poor infrastructure (Oxfam, 2004, 16).

Zambia could consider increasing its binding coverage of non-agricultural goods and lower the bound average tariff rates of its agricultural goods at the WTO to levels consistent with its need for policy flexibility to meet developmental needs. The country can also make commitments in its key service sectors under GATS. These are telecommunications, finance, transport and energy.

Zambia is already participating in the negotiations for an EPA for eastern and southern Africa. The main interest for Zambia is to come up with a development friendly regional arrangement. It is therefore important that special and differential treatment provisions are mainstreamed into the agreement. The country should strive to have increased market access opportunities to the EU export markets. It needs to focus on non-tariff aspects of the EPA such as improvement in the rules of origin and trade facilitation. It also needs to negotiate for increased financial and technical assistance and adjustment support.

Zambia could work to deepen the integration process under the SADC Preferential trading Area and the COMESA Free Trade Area. The main interest for Zambia is the removal of non-tariff barriers that are all too pervasive under the SADC. The country should also negotiate for the improvement of the rules of origin, which are inhibiting the growth of intra-SADC trade. Zambia should also try to put back the negotiations on services trade on the agenda. It is not necessary for Zambia to make a decision on whether to opt out of SADC or not right now. What Zambia needs to do is to work on the harmonization of the work and policies of COMESA and SADC.

## **B. National Consultative Processes**

Since the late 1990s there has been an effort to increase consultations between MCTI and the private sector in the work of the ministry. A major aspect of this is consultations between the MCTI and the major stakeholders on trade issues. This consultation was initially limited and related to implementation. Since 2004, there have been efforts to institutionalize this consultative process. This has not been very successful because there is as yet an agreed structure for the process. Efforts should therefore be made to come up with a clear permanent structure and have it funded. Support for the JITAP programme could be important in this regard.

A possible structure is to have a Ministerial Committee on Trade reporting to the Cabinet. The committee could consist of the Minister of Commerce, Trade and Industry, the Minister of Finance and National Planning and the Minister of Agriculture and Cooperatives. The Minister of the MCTI could chair the committee. The committee will deal with all multilateral, regional and bilateral issues on trade.

The National Working Group on Trade could support this structure and could include stakeholders and government officials. The Permanent Secretary at the MCTI could chair this working group. The Directors of Foreign Trade, Industry, and Planning and Information at MCTI would be members of the committee. The presence of the Directors of Industry and Planning and Information on the committee is extremely important because trade issues directly affect industry. The committee would meet regularly and advise the minister of MCTI. This structure will need funding. The structure will make it possible for different stakeholders to be involved in the formulation of negotiating strategies and the implementation of trade agreements. It will also create a core group in the country with capacity in trade issues. The NWGT can contract out studies to be done by local and international consultants.

To implement this structure and the consultative process effectively might entail the restructuring of MCTI into four main departments. These are Departments of Trade, Industry, Information and Planning and Human Resources and Administration. To rationalize the use of

resources and to make co-ordination more effective, the Department of Domestic Trade needs to be disbanded and merged into the Department of Industry. All issues of domestic trade can be addressed by the Department of Industry.

### **C. Collaboration and Coalitions with other Countries**

Zambia's participation in multilateral trade negotiations is constrained by limited technical and financial resources. The MCTI is faced with a broad WTO agenda, limited representation in Geneva and problems of finding vehicle or structure to use to have an input at the national level in trade negotiations. To resolve this, cooperation and coordination of negotiation positions with countries with similar interests will be important and will rationalize the use of scarce resources. The country is currently involved in coalitions with other countries in the multilateral and regional trade negotiations. Currently Zambia is involved in coalitions with the G33, G90, ACP group, African group, LDCs group and COMESA and SADC. Since these groups are diverse, Zambia has to make sure its interests in the group are covered.

### **D. Trade Related Technical Assistance and Donor Support**

In order to implement its national trade strategy, Zambia needs financial and technical resources to enable its capacity-building and trade-related activities become effective. Currently the country receives support in its technical assistance programmes from various sources. The main program is the JITAP and the IF. Technical assistance is received from multilateral and bilateral organizations. These are UNCTAD, ITC, UNDP, WTO and the World Bank. Technical assistance is also received from DFID, USAID, the Commonwealth Secretariat, the EU and FES. The major bilateral donors involved in technical assistance activities on trade are Sweden, Netherlands and Norway. Since 2004, the MCTI has implemented JITAP to support trade-related capacity building activities at MCTI and supporting agencies. Several projects have so far been implemented. These include the DTIS, an impact assessment study and a priority sector study. Training and national retreats have been organized.

Technical assistance has focused on workshops and training. It needs to also focus on imparting technical and managerial knowledge in process and production technology especially in the identified priority products and sectors in the country. For example, the horticultural and floricultural sector has a shortage of working capital and skilled labour. Technical assistance directed at such sectors will enhance export development.

The EU has provided financial and technical assistance to the export sector in Zambia. This involved financial and technical support. Financial support from the EU contributed to the creation of the EBZ. EDF funds went towards addressing some of Zambia's production and export constraints through the Export Development Program. Some of this support went to the coffee, cotton, horticulture and floriculture and tobacco sectors. Technical assistance was also provided in terms of extension services, agronomists and soil consultants. EBZ also received export management training and trade negotiations support. This is the kind of support needs to be replicated.

It is interesting to note the analogy drawn between the situation in Europe after the War and the situation of LDCs today. UNCTADs comparison of the situation is interesting, calling

for a “Trade Marshall Plan” to address the problems of LDCs. According to UNCTAD, such a Plan would yield development gains in the range of \$62.5 billion per year, and half of these gains are expected from binding duty-free and quota-free treatment and preferential access on services. It is expected that this Plan would help cushion adjustment shocks and build productive capacity, competitiveness, infrastructure and stimulate export expansion, spur economic growth and reduce poverty (Puri 2005, 45).

Market access is not a binding constraint to export expansion and diversification in Zambia. This is because Zambia has duty-free non-reciprocal access to both the EU under Cotonou and the US markets under AGOA, and the various GSP schemes. The rate of utilization of these schemes is low. The main problems are non-tariff barriers, the restrictive rules of origin and the high conformity costs. These are the issues to be addressed by donors and development partners.

Zambia also has preferential and reciprocal duty-free access to regional markets under SADC and COMESA. The major issues are the existence of non-tariff barriers and trade facilitation. Donors and development partners can help with technical and financial assistance to regional bodies to build capacity in these areas.

The major support from the donors could be to develop capacity-building projects and provide institutional and financial resources that can help the country resolve the behind the border problems. These seem to be the major problem constraining export expansion and diversification in Zambia.

Capacity-building in services trade could be used to remove some of the supply –side constraints facing export production if bold decisions are made on the opening up and the restructuring of the key service sectors such as the transport, telecommunications, financial and energy services sectors. The strategy is to take advantage of the de facto openness that exists in the domestic services sector. One could then attach access conditions to this market access already existing for Foreign Service suppliers. The point is to use Article IV and XIX of GATS. The access conditions will reflect the capacity, efficiency, competitiveness and regulatory capacity of the domestic services sector. The donors and development partners can help in providing technical assistance especially in building regulatory capacity.

## **CONCLUSIONS**

One of the major objectives of trade reform was to increase exports and diversify the sources of export earnings from copper to non-traditional exports. This would provide opportunities for the country to improve its real growth and quality of life. However, the country has not succeeded in significantly increasing export production and export earnings. In 1995 export earnings stood at \$1,238 million, which is actually more than the export earnings in 2003 of \$1,084 million. On average the country’s exports were valued at \$976 million between 1995 and 2003. This is an average of 27.6 per cent of GDP. There has been growth in exports, but just sufficient to pick up the slack from lower copper exports. However, the country has been successful in diversifying the sources of export earnings more than ever before. This performance has led to a mixed impact on real growth rates and the key social indicators point

out that the reform effort has failed to significantly affect the poverty levels. The performances of these socio-economic indicators are shown in Table 14.

Table 14: Socio-economic Indicators, 1995- 2004

Year	1995	1996	1998	2000	2002	2003
GDP/capita(US\$)	358.6	369.9	387.99	355.16	401.26	421.0
Poverty (%)	83	69.2	72.9		67	-
HDI	0.424	0.43	0.45	0.409	-	0.385
IMR	109	112	112	110	95	102
Casualization	12.9	12.4	10.6	10.1	8.6	8.1
LE at birth (years)	48.2	48.8	49.4	50.0	46.3	36

Source: Central Statistical Office.

Real GDP growth was negative in 1995 and increased to 5 per cent in 2003. On the whole, real GDP growth stuttered at an average of 1.2 per cent between 1995 and 2003. This real growth rate is insufficient to regenerate the economy and arrest the declining per capita incomes and other socio-economic indicators.

Per capita incomes barely increased from \$358.6 in 1995 to US\$421.0 in 2003. This is an average annual increase of about 2.2 per cent per year. Consequently the quality of life has worsened. This has been compounded by the effects of HIV/AIDS on the population. Poverty levels are still very high and it is estimated that around 67 per cent of the population are living below the poverty line. The increased informalization of the workforce over the period has not helped matters. In 1995, 12.9 per cent of the labour force was employed in formal sector activities. This declined to 8.6 per cent in 2002 and is currently estimated at 8.1 per cent in 2003. This reflects the inability of the economy to generate more stable employment opportunities.

The UNDP classifies Zambia as a country with a low HDI value. The overall trend in the value has been negative and has fallen from 0.424 in 1995 to 0.385 in 2003. The 2003 HDI value places Zambia among the 12 lowest performers in socio-economic development. It has a high infant mortality rate at 102 per 1,000 live births; life expectancy at birth has fallen from 48.2 years to 36 years in 2003. All socio-economic indicators show that the living conditions and the socio-economic environment for Zambia have been deteriorating since 1995. This gruesome outcome has stunted the country's quality of life and has rendered the development and growth of the export sector all that more urgent.



## ANNEX I: Livingstone Declaration

LDC/IV/2005/426 June 2005

### FOURTH LDC TRADE MINISTERS' MEETING

Livingstone, Zambia,  
25 – 26 June 2005

### LIVINGSTONE DECLARATION\*

We, the Ministers responsible for Trade of the Least Developed Countries (LDCs), meeting in Livingstone, Zambia, with a view to adopting a common position on LDC agenda prior to the 6th WTO Ministerial Conference to be held in Hong Kong, China, from 13 to 18 December 2005:

*Reaffirming* the principles and objectives as set out in the Marrakesh Agreement establishing the World Trade Organization (WTO), and reiterating the commitment to further strengthen the rules-based multilateral trading system to meet the development needs of LDCs;

*Recalling* the commitments made, *inter alia*, at Ministerial Conferences held in Singapore (1996), Geneva (1998) and Doha (2001) by the WTO Members in assisting LDCs to secure beneficial and meaningful integration into the multilateral trading system and the global economy;

*Recalling* in particular the commitment of the Doha Ministerial Declaration to meet the development needs of LDCs, which is further re-enforced by the Decision Adopted by the General Council on 1st August 2004 on the Doha Work Programme;

*Recalling* the commitments undertaken by the international community at the Third UN Conference on LDCs held in Brussels in 2001 to promote, *inter alia*, sustained economic growth in LDCs and for beneficial integration into world economy;

Recalling the LDC Ministers' Declarations adopted at Zanzibar (2001), Dhaka (2003) and Dakar (2004) prior to the WTO Ministerial Conferences in Doha, Cancún and before the July 2004 General Council Meeting respectively;

*Reaffirming* the commitments made at Doha to conduct the negotiations in a transparent and all inclusive manner;

*Welcoming* the reaffirmation by the General Council to renew its determination to fulfill the commitments made at Doha concerning LDCs and not to detract in any way from the special provisions agreed by Members in respect of LDCs;

*Appreciating* the improved market access initiatives taken by some WTO Members in favour of LDCs;

*Welcoming* the adoption on 21st March 2005 by the Dispute Settlement Body of the Report of the Appellate Body on the United States – Subsidies on Upland Cotton and the Report

---

\* As adopted by the Ministerial Meeting on 26 June 2005.

of the Panel as modified by the Appellate Body, and endorsing the draft modalities on cotton contained in document TN/AG/SCC/GEN/2 with a view to achieving ambitious, expeditious and specific results on Cotton, as agreed in the 1st August 2004 Decision of the General Council;

*Concerned* that the failure to meet deadlines set out in the Doha Ministerial Declaration, and the failure even to meet subsequent deadlines, is jeopardising the development objectives of the Doha Development Agenda, which is leading to a continuous marginalisation of LDCs and their exclusion from the multilateral trading system;

*Concerned* about the slow progress in finding a permanent solution through amendment of the TRIPS Agreement to enable countries with no or insufficient manufacturing capacity to access pharmaceutical products at affordable prices;

*Concerned* about the slow pace in addressing the secular deterioration of the terms of trade of commodities;

*Recalling* Members' commitment to place the needs and interests of Least Developed Countries at the heart of the Doha Work Programme and highlighting the special needs of *inter alia*, post conflict, small island, landlocked and vulnerable economies in the multilateral trading system;

*Concerned* at the continuing onerous demands put by some WTO members in the accession process of LDCs;

*Appreciating* development partners and international organizations especially UNCTAD and WTO for their technical assistance and capacity building support, extended to acceding LDCs at all stages of the accession process;

*Appreciating* the recent initiative taken by the United Kingdom in an effort to address the concerns of Africa and the new direction proposed by the Commission on Africa Report, as it compliments Africa's own initiatives such as the New Partnership for Africa's Development (NEPAD);

*Appreciative* of the recent decision of G-8 Ministers of Finance to cancel the debt of some LDCs to the World Bank, IMF and the African Development Bank;

*Seeking* additional, adequate and timely support from all of our development partners and International Financing Institutions in meeting the Millennium Development Goals (MDGs) and other programmes aimed at significantly reducing poverty;

*Call* upon the relevant WTO bodies and the Sixth Ministerial Conference to agree on:

1. Binding commitment on duty-free and quota-free market access for all products from LDCs to be granted and implemented immediately, on a secure, long-term and predictable basis, with no restrictive measures introduced;
2. Complete exemption for LDCs from any reduction commitments;
3. Further strengthening the existing preferential schemes and the incorporation of provisions in the modalities to address the erosion of preferences;



4. The need for non-debt creating financial resources from international organizations and bilateral partners, for adjustment required in LDCs as a consequence of changes in the multilateral trade rules;

5. Incorporation of special provisions in the modalities to maintain preferences until such time as all domestic and export subsidies are removed that affect LDCs' commodities, complemented by compensatory and transitional measures to allow LDCs to fully prepare their commodity industries for open and fair competition;

6. Increased resources and an effective delivery mechanism for trade capacity building to address the inherent supply-side capacity constraints faced by LDCs with a view to enabling them take advantage of increased market access opportunities;

7. Strengthening the effectiveness of the Integrated Framework, *inter alia*, by a significant resource increase, including through other initiatives, with a view to building up supply-side capacity, technological and physical infrastructure that would support diversification of LDCs' production and export base;

8. The need for "Aid for Trade" as an additional, substantial and predictable financial mechanism to strengthen supply-side and infrastructure capacity, diversification of trade in LDCs and address adjustments challenges and costs for the effective integration of LDCs into the International Trading System;

9. The need for all development partners to effect full debt cancellation for all LDCs, including in the measures of implementation, in order to address their trade and development concerns;

10. The need for all development partners to assist LDCs in attaining the MDGs, by making concrete efforts to achieve the targets on Official Development Assistance (ODA) with respect to LDCs as contained in the Brussels Programme of Action and the Monterrey Consensus, in particular to address the trade concerns of LDCs;

11. The special circumstances and needs of *inter alia*, post conflict, small island, landlocked and vulnerable economies to be taken into consideration in meeting their commitments in the WTO; and the provision of adequate financial and technical assistance and capacity building programmes on a sustained basis for such countries to enable them to integrate more fully into the multilateral trading system;

12. Incorporation of provisions in the modalities on realistic, flexible and simplified rules of origin, certification and inspection requirements and technical and safety standards;

13. A moratorium on safeguard measures and antidumping actions against LDCs so as to facilitate exports from LDCs;

14. Binding commitments on targeted and substantive technical assistance programmes in favour of LDCs to enhance their capacity, *inter alia*, to meet SPS measures, standards requirements, Rules of Origin and other Non-Tariff measures in the importing countries;

15. Ambitious, expeditious and specific cotton-related decisions, in particular the elimination of domestic support measures and export subsidies that distort international trade in

cotton, as indicated in the African Group submission by no later than the 6<sup>th</sup> WTO Ministerial Conference. The decision includes bound duty-free and quota-free access for cotton and products derived from cotton for the LDCs cotton producers and exporters;

16. The creation of an Emergency Support Fund for Cotton as well as the commitment by WTO Members to address the development-related aspects of the Cotton Initiative, ensuring the coherence between the trade and development aspects of this issue;

17. A credible end-date for the elimination of all forms of export subsidies and significant reduction of all forms of trade distorting domestic support, while taking into account all Special and Differential Treatment provisions and recognising the need for transitional measures that will offset the negative, short-term effects of removal of subsidies in terms of reducing or removing LDCs' preferential margins into the markets of developed countries;

18. Engaging in the review and clarification of the green box criteria and improve obligations for monitoring and surveillance to avoid box shifting;

19. Establishing a Special Safeguard Mechanism (SSM) to respond to the needs and the particular circumstance of LDCs enabling them to adopt temporary emergency measures in order to address import surges and price declines with a view to safeguarding food and livelihood security as well as rural development. The SSM to be agreed must take into account the institutional capacities and available resources of LDCs, and thus must be simple, effective and easy to implement;

20. Full implementation of the commitments made in the Marrakesh Declaration and Ministerial Decisions in favour of LDCs, and the Ministerial Decisions on Measures concerning the Possible Negative Effects of the Reform Programme on LDCs and Net-Food Importing Developing Countries (NFIDCs);

21. Modalities on food aid that will discipline the commercial displacement effects of food aid while ensuring that food aid is available at all times to meet the needs of LDCs and NFIDCs. Modalities must include commitments by donors in the context of the Food Aid Convention and improved monitoring of food aid transactions, while at the same time *encouraging* local and regional purchase, where possible, and which limits to a minimum, the impact of food aid on the local production of recipient countries;

22. Flexibilities for LDCs to determine the levels of binding commitments of their tariff lines consistent with their trade, development and financial needs;

23. The need to urgently amend the TRIPS Agreement to incorporate the 30<sup>th</sup> August 2003 Decision on the Implementation of paragraph 6 of the Declaration of TRIPS and Public Health as a permanent solution to the problems of LDCs with insufficient or no manufacturing capacity;

24. An expeditious mechanism to address, through Modalities in relevant negotiation bodies, the concern of declining, and volatile commodity prices and the deterioration of the terms of trade as well as an increase in the participation of LDCs in the value chain of production. LDCs welcome the launch of an international Task Force on Commodities at UNCTAD and call on the International Community to provide support for its effective operation;

25. The urgent need to operationalize the objective of coherence mandate between the WTO and International Financial Institutions (IMF, World Bank), in line with the rights and flexibilities that LDCs have obtained under the WTO, since these are aimed at achieving and supporting LDC development objectives;

26. Full implementation of the Modalities for the Special Treatment for LDCs in the Negotiations on Trade in Services;

27. Full market access and national treatment to LDCs in the sectors and modes of supply of export interest to them, including less-skilled and non professional services providers under Mode 4 on a temporary and contractual basis;

28. Adequate targeted technical and financial assistance to LDCs, including to carry out sectoral assessments and take part in the request/offer process in a beneficial and meaningful way;

29. Increased, sustained and targeted technical and financial assistance in favour of LDCs, consistent with the spirit of the Doha work programme;

30. Strengthening the Joint Integrated Technical Assistance Programme (JITAP) for Selected Least Developed and Other African countries and extend it to all LDCs;

31. Developing and applying domestic regulation disciplines, including recognition of qualifications, simplification of administrative practices and visa requirements, and without asking for economic needs tests, that enhance market access to the sectors and modes of supply of export interest to LDCS. Further, take into account the special development, financial and trade needs for LDCs in this respect;

32. Ensuring that the Special Modalities for LDCs and Guidelines and Procedures for the negotiations in services adopted by the Council for Trade in Services in 2001 and 2003 respectively continue to remain the basis for the negotiations;

33. The full implementation of the provisions of Special and Differential Treatment, and to make them more precise, effective and operational; and adoption of new special and differential measures to take into account problems encountered by LDCs and address meaningfully the special and differential proposals of LDCs;

34. Providing LDCs adequate policy space to engage in regional trade arrangements in the pursuit of their development goals and objectives;

35. The need for the negotiations on systemic issues to address the principle of less than full reciprocity, asymmetry in market access and the development concerns of LDCs entering into regional arrangements with developed countries under the GATT 1994 Article XXIV and GATS Article V;

36. Operationalizing the flexibilities agreed in the Modalities for Negotiations on Trade Facilitation which, *inter alia*, stipulates that LDC Members will only be required to undertake commitments to the extent consistent with their individual development, financial and trade needs or their administrative and institutional capabilities;

37. Full and faithful implementation of the Modalities for Negotiations on Trade Facilitation that ensure adequate financial and technical assistance and capacity building including support for infrastructure development of LDCs, through coordinated and sustained flow of funding that also address cost implications of proposed measures affecting LDCs;

38. Full and faithful implementation of the Guidelines for LDCs accession to the WTO adopted by the General Council on December 2002, ensure the full application of the S&D provisions that would emerge from the Doha Round of negotiations to the acceding LDCs and intensify the provision of adequate financial and technical assistance and capacity building support to the acceding LDCs at all stages of the accession process, including through the Integrated Framework;

39. The provision of adequate financial and technical assistance and capacity building programmes on a sustained basis for newly acceded LDCs to enable them adhere to their commitments in the WTO as well as to expedite their integration into the multilateral trading system;

*Agree* to mandate Zambia, in her capacity as Coordinator of the WTO LDC Group to further pursue the negotiating agenda as contained in this Declaration and to present it to the Sixth WTO Ministerial Conference to be held in Hong Kong, China, from 13 – 18 December 2005;

*Express* our appreciation to the Government and People of the Republic of Zambia for hosting our meeting in Livingstone and to thank the UNCTAD and WTO secretariats as well as our development partners for their support.

## ANNEX II: SADC TRADE MINISTERS COMMUNIQUE

SADC/Min-WTO/1/2005/5

1. The Ministers of Trade of the Member States of the Southern African Development Community (SADC) met in Cape Town, South Africa on 23 September 2005 to review the state of play of the WTO negotiations in preparation for the 6th WTO Ministerial Conference to be held in Hong Kong, China 13 to 18 December 2005 and:
2. The Ministers reaffirmed the Cairo Declaration and the Road Map on the Doha Work Programme adopted by the African Union (AU) Ministers of Trade during their 3rd Ordinary Session held 5 to 9 June 2005 and of the Livingstone Declaration adopted by the Ministers responsible for Trade of the Least Developed Countries (LDC) during their 4th LDC Meeting held 25 to 26 June 2005 in Livingstone, Zambia.
3. The Ministers deliberated upon and adopted the 2005 Cape Town Recommendations as an Annex to this Communique, and agreed to meet at a later stage in order to review the status of the negotiations before the WTO Hong Kong Ministerial Conference on a date and at a venue to be determined.
4. The Ministers welcomed the recent initiative taken by the G8 Ministers meeting in Gleneagles, United Kingdom from 6 to 8 July 2005, to cancel the debt of some African countries, and welcomed the Aid for Trade Agenda, which could address the supply-side constraints and adjustment costs for SADC Member States.
5. The Ministers reiterated SADC's commitment to a rules-based, open, non-discriminatory and equitable Multilateral Trading System (MTS), and expressed concern with the continuous marginalization of sub-Saharan Africa in the World Trading System and underlined the need to enhance the participation of SADC Member States, particularly the LDCs, in the MTS, in order to achieve economic growth, employment and development for all. A balanced outcome of the WTO negotiations, reflecting the trade interests of all WTO Members, in particular the developing countries, is a necessary condition for ensuring development gains from an increasing participation of SADC Member States in the MTS.
6. The Ministers expressed concern on the slow progress of the WTO negotiations, particularly in key areas of interest to SADC Member States and acknowledged the need to intensify and expedite the negotiations and to undertake a serious consensus building effort by all WTO Members to ensure success of the 6th WTO Ministerial Conference.
7. The Ministers reaffirmed commitment to constructively participate in the process leading to the 6<sup>th</sup> WTG Ministerial Conference, and emphasized that all necessary efforts should be made to ensure that the outcome of the Ministerial Conference adequately reflects the trade and development needs of developing countries and allows for a timely conclusion of the WTO negotiations.
8. The Ministers recognized the primacy of the Geneva-based negotiating process, and reaffirmed the need for the negotiations to be inclusive and fully transparent to ensure political ownership by all WTO Members of both the process and the outcome of the negotiations. The preparatory work for the 6<sup>th</sup> WTO Ministerial Conference should produce a negotiated text that effectively reflects the views of all WTO Members and provides the basis for further deliberations and decision-making at the Conference. The

Ministers urge WTO Members to provide small and vulnerable economies with adequate opportunity to participate and express their views on issues of concern to their economies.

9. The Ministers stressed that the WTO negotiations can only be considered successful if development is at the core of the process and outcome. A balanced outcome of the Doha negotiations requires the incorporation of an effective development content that meets the legitimate expectations of SADC Member States and other developing countries. They noted that the need to work expeditiously towards implementing the development dimensions of the Doha negotiations was adequately acknowledged by all United Nations (UN) Members in the outcome of the recent UN General Assembly that gathered to review progress towards the achievement of the Millennium Development Goals.
10. The Ministers underscored that a development oriented outcome of the negotiations must include:
  - a. Elimination of agricultural export subsidies and a meaningful and effective reduction of trade distorting domestic support within a credible and expeditious time frame;
  - b. Enhanced and predictable market access for the exports of SADC Member States, removal of trade distorting non-tariff barriers (NTBs) and market entry obstacles, and bound duty free and quota free market access in developed countries for SADC LDCs exports;
  - c. Retention of the negotiating approach agreed in the Guidelines and Procedures for the Negotiations on Trade in Services. The results of the negotiations should include commercially meaningful commitments from developed trading partners in services sectors and modes of supply of interest to SADC Member States, in particular on the temporary movement of natural persons providing services as well as for small service suppliers;
  - d. Expeditious and permanent solution to the TRIPS and Public Health issues in view of the HIV and AIDS pandemic in the SADC Region;
  - e. Provision of a mechanism for effectively addressing the problems of preference erosion within the WTO;
  - f. Prompt and adequate solution to all pending development issues of the Doha Work Programme and the inclusion of effective and operational special and differential treatment (S&D) provisions in all areas of the negotiations; and
  - g. Incorporation of effective measures addressing the particular concerns of small and vulnerable economies.
11. The Ministers stressed that S&D treatment should effectively preserve adequate space for national development policies in SADC Member States. Therefore, there is a need to maintain an appropriate balance between national policy space, international disciplines and commitments in the outcome of the WTO negotiations.
12. The Ministers emphasized the need for all WTO Members to demonstrate the willingness to reach an agreement on the amendment of Article 31 of the TRIPS Agreement on

Public Health so as to ensure that SADC and other developing countries with insufficient or no manufacturing capacity in the pharmaceutical sector, are able to access affordable medicine.

13. The Ministers recognized that drought is a recurrent menace, which threatens food security in the SADC Region, and outlined the necessity to achieve an outcome which adequately addresses and ensures food security in all the vulnerable countries, and also recognized the importance of providing food aid in grant form which should not cause commercial displacement.
14. The Ministers reaffirmed the need of prioritising technical assistance and capacity building as core elements of the development dimension of the Multilateral Trading System, and recognized that the establishment of the Doha Development Agenda Global Trust Fund has made a great contribution in this regard and emphasize that Members should be encouraged to continue contributing generously in favour of these programmes.
15. The Ministers expressed sincere thanks to the Government and the people of the Republic of South Africa for hosting the meeting, and for the warm hospitality and the excellent facilities put at their disposal, and recognized the assistance provided by the UNCTAD Secretariat to the SADC Member States.

**Done at Cape Town on 23 September 2005**





## REFERENCES

- Adam C and Bevan D (1995). *Investment, Uncertainty, and the Option to Wait: Implications for Government and Donor Policies in Zambia*. Oxford, Center for the Study of African Economies. University of Oxford.
- Brenton, P and Ikezuki, T (2003). *The Value of Trade Preferences for Africa*. International Trade Department, World Bank.
- GRZ (1994). *Industrial, Commercial and Trade Policy*. Lusaka. Ministry of Commerce, Trade and Industry.
- Kalenga, Paul (2004). "Implementation of the SADC Trade Protocol: A Preliminary Review" in Hansohm, D, Breytenbach, W, Hartzenbeg, T and McCarthy, C. *Monitoring Regional Integration in Southern Africa Yearbook* . Vol. 4-2004. NEPRU.
- Lakshmi Puri (2005). Towards a new trade 'Marshall Plan' for least developed countries: how to deliver on the Doha development promise and help realize the United Nations Millennium Development Goals?" *Trade, Poverty and Cross-cutting Issues Study Series No. 1* (UNCTAD/DITC/TAB/POV/2005/1).
- Ministry of Commerce, Trade and Industry (2005). *Zambia: Schedule of Specific Commitments*.
- Ministry of Commerce, Trade and Industry (2005). *Zambia: Diagnostic Trade Integration Study*.
- Ndulo, Manenga (2003). *The Zambian Services Sector and the Multilateral Trade Negotiations*. National Working Group on Trade in Services, Ministry of Commerce, Trade and Industry.
- Ndulo, Manenga and Mudenda, Dale (2005). *Trade Policy and Adjustment in Zambia, 1980-2003*. UNCTAD (Geneva and New York).
- Onguglo, B., and T. Ito (2001). Proposed legal regime within the World Trade Organization on enhanced market access conditions for least developed countries. In *Legal Aspects of International Trade*. Washington, DC: World Bank.
- Oxfam (2004). "A Sweeter Future? The potential for EU sugar reform to contribute to poverty reduction in Southern Africa". *Oxfam Briefing Paper No: 70*. Oxfam International. November.
- Ricupero, R (2005). "Why Should Small Developing Countries Engage in the Global Trading System: Overcoming Fear First" *Finance and Development*, March 2005.
- UNCTAD (2003). *World Investment Report, 2003*. UNCTAD, (Geneva and New York).
- UNCTAD (2005). *Priority Sector Study for Zambia*. UNCTAD, (Geneva and New York).

UNCTAD (2005a). *Some Key Issues in South-South Trade and Economic Cooperation*. Outcome and Papers presented to the Workshop on Trade, Doha High-Level Forum on Trade and Investment, Doha, Qatar.

UNCTAD (2005b) Report of the Secretary-General International Trade and Development, General Assembly (A/60/225). UNCTAD (Geneva and New York).

UNCTAD (2005) Trade and Development Report, 2005. UNCTAD (Geneva and New York).

UNCTAD (2005) Investment Policy Review: Zambia. UNCTAD (Geneva and New York).

United Nations Development Programme (2005). *Human Development Report 2005*. UNDP (New York).

World Trade Organization (1994) Final Act: The Results of the Uruguay Round of Multilateral Trade Negotiations. Cambridge University Press.

World Trade Organization (1996). *Trade Policy Review, Zambia 1996*. Geneva, Switzerland

World Trade Organization (2002). *Trade Policy Review, Zambia 2002*. Geneva, Switzerland

World Trade Organization (2005). *World Trade Report 2005*. World Trade Organization, Geneva: Switzerland.