

REPORT

IMPACT OF TRADE AND OTHER PARTNERSHIP AGREEMENTS ON THE NATIONAL BUDGET POLICY AND LEGAL FRAMEWORK GOVERNING TRADE AGREEMENTS



1.0 LEGAL FRAMEWORK

This is a broad area but can be divided into sectors, which include agriculture, tourism, transport, financial services, insurance, energy and mining. Some of the key pieces of legislation include the following:

- i) Zambia Development Agency Act No. 11 of 2006
- ii) Competition and Consumer Protection Act
- iii) Customs And Excise Act, Chapter 322 of the laws of Zambia
- iv) Control of Goods Act, Chapter 421 of the laws of Zambia as amended by No. 12 of 2004
- v) Business Regulatory Act No.3 of 2014
- vi) Mines and Minerals Act No. 11 of 2015
- vii) Agricultural Credit Act, No.35 of 2010
- viii) Border Management and Trade Facilitation Act No. 12 of 2018
- ix) Copyright and Performance Rights Act
- x) Public Private Partnership Act 2009
- xi) Fisheries Act N0.22 of 2011
- xii) Animal Identification Act No. 28 of 2010
- xiii) Animal Wildlife Act 2015
- xiv) Animal Health Act No.27 of 2010
- xv) Tourism and Hospitality Act 2015
- xvi) Information, Communications and Telecommunications Act 2009
- xvii) Electronic Communication and Transaction Act 2009
- xviii) Postal Services Act 2009
- xix) Energy Regulation Act Chapter 436
- xx) Electricity Act Chapter 433
- xxi) Food Reserve Act No.20 of 2005
- xxii) Cooperative Societies Act No.20 of 1998
- xxiii) Standards Act Chapter 416
- xxiv) Cotton Act No.21 of 2005

The salient features of some of these laws are set out below:

1.1 Zambia Development Agency Act

This is an Act which seeks, *inter alia*, to foster economic growth and development by promoting trade and investment in Zambia through an efficient, effective and coordinated private sector-led economic development strategy; it established the Zambia Development Agency (ZDA) as a one stop facility which ensures client focus, dialogue with the private sector and creates confidence in public sector support to businesses; provides for the functions and powers of the ZDA; it promotes exports and globalisation; facilitates industrial infrastructure development and local services; promotes greenfield investment through joint ventures and partnerships between local and foreign investors; encourages measures to increase Zambia's capacity to trade and enable business to participate in a competitive global environment; to ensure the private sector takes advantage of and benefits from international and regional trade agreements.

1.2 Competition and Consumer Protection Act

This Act seeks to promote and safeguard competition in the country. It enhances predictability of enforcement mechanisms.

1.3 Customs and Excise Act

This Act deals with the imposition, collection and management of customs, excise and other duties, licencing, and control of warehouses and premises for the manufacture of certain goods; regulating, controlling and prohibiting of imports and exports, conclusion of customs and trade agreements with other countries. It is a law of particular significance in the trade framework – treaties and international agreements to which Zambia is a State party have legal effect on if they are domesticated. In the event of a conflict, the general rule is that domestic law takes precedence. However, the Customs and Excise Act is an exception to this general rule. Section 83 of the Act stipulates that in the event of a conflict, international agreements take precedence.

1.4 Control of Goods Act

This is an Act to enable the President by regulation for the control of distribution, disposal, purchase and sale, and the wholesale and retail prices of any manufactured or unmanufactured commodity.

1.5 Business Regulatory Act

This essentially provides for an efficient, cost-effective and accessible business licencing system.

1.6 Mines and Minerals Act

This is an Act to revise the law relating to the exploration for, mining and processing of minerals.

1.7 Agricultural Credit Act

This Act seeks to establish the Warehousing Licencing Authority with the attendant functions and powers; facilitate borrowing money on security of charges created on farming stocks and other agricultural assets.

1.8 Border Management and Trade Facilitation Act

This Act seeks coordinated border management and control for the efficient movement and clearance of goods, to give effect to the provision of one-stop border posts; provide for the simplified arrangements with adjoining States relating to the movement and clearance of goods;

establish control zones and provide powers of officers in control zones;; provide for development, management and maintenance of border infrastructure; authorise application of the laws of Zambia and laws of adjoining States to one-stop border posts, among others.

1.9 Copyright and Performance Rights Act

As amended in 2010 to better counter piracy, handle complaints and enhance sanctions.

2.0 POLICY FRAMEWORK

The Ministry of Commerce, Trade and Industry formulates trade policy and makes decisions in consultation with relevant stakeholders. It implements these through a national working group on trade comprising the ministries responsible for agriculture, livestock and fisheries, justice, Finance, Tourism and the Zambia Revenue Authority. In addition, the following are de facto members of the NTWG on Trade – Zambia Association of Manufacturers (ZAM), ZACCI, ZCSMBA, ZNFU.

Among the key policies are the following:

- i) Commercial, Trade and Industry Policy (2010)
- ii) National Agricultural Policy
- iii) National Quality Policy (2011)
- iv) Mining Policy
- v) Competition Policy 2009

The overall vision of the trade policy is to develop and enabling environment which supports private investment and the development of domestic productive capacities and contributes to the expansion of Zambia's international trade.

TRADE AGREEMENTS

Zambia has signed a number of agreements under the various sectors mentioned above and is a member of both trade agreements and arrangements. Key among these are the World Trade Organisation, SADC and COMESA. In addition, Zambia is a signatory to some World Intellectual Property Organisation-administered treaties. Some of the relevant treaties signed or ratified are listed hereunder:

- a) Bilateral investment treaty
- b) Agreement on mutual assistance in tax matters
- c) WTO Trade Facilitation Agreement (Ratified 16/12/15)

Zambia is also a party to investment promotion and protection agreements (12 have been signed and 3 ratified with Germany, Switzerland and France). Zambia is a member of the African Organisation of Standards (ARSO) and the International Standardization Organisation (ISO).

In the quest to facilitate the performance of global trade through aviation, Zambia is a signatory to the Yamaoussoukro Convention, the Convention on International Civil Aviation (Chicago Convention) and is a member of the International Civil Aviation Organisation.

The forgoing notwithstanding, Zambia is not a signatory to the Information Technology Agreement and the Government Procurement Agreement. These are important instruments for a country seeking to enable global trade. Further, Zambia has not signed any mutual recognition agreements (MRAs) with foreign countries but accepts certification by foreign institutions if they are accredited.

Impact of Trade and other Partnerships Agreements on the National Budget

What measures have been put in place to enhance strategic partnerships that promote the competitiveness of Zambia's industries?

- Importantly, one of the guiding principles of the National Trade Policy is Competitiveness i.e. an emphasis is placed on improving the productive capacities and competitiveness of domestic firms
- The following are the specific objectives and measures which could enhance strategic partnerships as well as promote competitiveness of Zambia's industries for trade:

Concerning tariffs (6.2.1)

Specific objective: To streamline tariffs in order to increase the export of high value products and support the growth of infant industries

Measures:

- i. Implement a tariff structure that is supportive of domestic value addition and integration into regional value chains

Concerning trade in goods (6.2.4)

Specific objective: To promote the competitiveness of merchandise exports in the global market for increased export earnings

Measures:

- ii. Improve product quality and increase quantity;
- iii. Promote export of value added products; and
- iv. Establish frameworks for export promotion.

Concerning trade in services (6.2.5)

Specific objective: To promote the development of a vibrant services sector for both the local and export markets.

Measures:

- i. Support the development of vibrant creative industries;
- ii. Support capacity building initiatives for sector coordination;
- iii. Enhance stakeholder awareness on the opportunities in trade in services; and
- iv. Harmonise national commitments at the multilateral and regional levels in support
- v. of the growth of the services sector.

Concerning multilateral trade (6.2.6)

Specific objective: To effectively participate in multilateral trade negotiations and negotiate rules that respond to national development needs

Measures:

- i. Use the multilateral framework to leverage trade finance and trade capacity
- ii. building support;
- iii. Strengthen negotiating capacity of both public and private sector institutions;
- iv. Strengthen institutional capacity to implement multilateral trade rules.

Concerning regional trade arrangements (6.2.7)

Specific objective: To increase export market share within regional economic communities and across the African continent.

Measures

- i. Negotiate favourable rules of origin requirements, eliminate non-tariff barriers and address unfair trade practices;
- ii. Promote and support access to regional markets;
- iii. Enter into any other regional trade arrangement that promote national interests; and
- iv. Increase sensitization of existing opportunities under regional markets.

Concerning Bilateral trade arrangements (6.2.8)

Specific objective: To increase access in strategic markets through bilateral trading arrangements

Measures:

- i. Strengthen domestic stakeholder consultations to ensure Zambia's effective participation in bilateral trade negotiations;
- ii. Promote and support local firms to take advantage of bilateral trading arrangements; and
- iii. Sensitize the private sector on existing opportunities under bilateral trading arrangements.

Concerning local product/services promotion (6.2.15)

Specific objectives: To promote the consumption and use of locally produced goods and services and enhance their competitiveness in the domestic and export markets

Measures:

- i. Enhance the branding and packaging of locally produced goods and services;
- ii. Implement the Proudly Zambian Campaign;
- iii. Improve the scope of standards and quality in conformity with international requirements;
- iv. Promote business linkages between MSMEs and local and international markets

What is the net revenue gain or loss arising from trade agreements during the period 7NDP (2017-2021)?



Bilateral trade between Zambia and Southern African Development Community (SADC) is governed by the SADC protocol on trade. The following is Zambia's net revenue gain or loss for period 2017-2021, so far as data was available:

Trade Balance between Zambia and Southern African Development Community (SADC) in USD		
Balance in value in 2017	Balance in value in 2018	Balance in value in 2019
-3,690,388	-3,218,431	-1,775,936

The figures above indicate that for the period 2017-2019, the value of Zambia's imports from the SADC region were higher than the value of Zambia's exports to the the SADC region.



Bilateral trade between Zambia and Common Market for Eastern & Southern Africa (COMESA) is governed by the COMESA Treaty. The following is Zambia's net revenue gain or loss for the period 2017-2021, so far as data was available:

Trade Balance between Zambia and Common Market for Eastern & Southern Africa (COMESA) in USD		
Balance in value in 2017	Balance in value in 2018	Balance in value in 2019
-1,274,796	-585,755	478,823

The figures above indicate that for the period 2017-2018, the value of Zambia's imports from COMESA were higher than the value of Zambia's exports to COMESA. However, in 2019, the value of Zambia's exports to COMESA was higher than the value of its imports from COMESA.



Bilateral trade between Zambia and European Union (EU) is governed by an Economic Partnership Agreement and the Everything but Arms initiative. The following is Zambia's net revenue gain or loss for the period 2017-2021, so far as data was available:

Trade Balance between Zambia and European Union (EU 28) in USD		
Balance in value in 2017	Balance in value in 2018	Balance in value in 2019
-321,692	-241,353	-537,305

The figures above indicate that for the period 2017-2019, the value of Zambia's imports from the EU were higher than the value of Zambia's exports to the EU.



Bilateral trade between Zambia and United States of America is partly governed by AGOA. The following is Zambia's net revenue gain or loss for the period 2017-2021, so far as data was available:

Trade Balance between Zambia and United States of America in USD		
Balance in value in 2017	Balance in value in 2018	Balance in value in 2019
-104,061	-184,214	-180,783

The figures above indicate that for the period 2017-2019, the value of Zambia's imports from the United States of America was higher than the value of its exports to the United States of America.

Zambia and China 

Bilateral trade between Zambia and China is governed by general bilateral trade co-operation. The following is Zambia’s net revenue gain or loss for the period 2017-2021, so far as data was available:

Trade Balance between Zambia and China		
Balance in value in 2017	Balance in value in 2018	Balance in value in 2019
210,026	36,601	486,067

The figures above indicate that for the period 2017-2019, the value of Zambia’s exports to China was higher than the value of its imports from China.

What are the challenges being faced by Zambian industries in accessing the regional markets despite existing key partnership agreements?

- Non-tariff barriers: challenges are experienced in the form of non-tariff barriers to trade such as lengthy and costly customs procedures, complex/discriminatory rules of origin and import bans. In addition to inhibiting trade, NTBs tend to increase trade costs.
- Transportation costs: these arise from the lack of well developed trade infrastructure such as road and rail networks. Furthermore, Zambia’s position as a landlocked country limits transportation options. High transport costs can isolate markets and increase import and export costs. Low quality transport services can reduce competitiveness and profit margins.
- Energy: load shedding has a negative impact on the output of firms, especially if they cannot afford alternative sources of energy such as generators or solar panels. Crucially, seeking alternative sources of energy may serve to increase operating costs and decrease revenues. High production costs thereafter prevent Zambia producers from accessing regional markets.
- Research and development: there is a lack of adequate research and development activity to support the creation of new products and processing techniques. Most companies view research and development as a cost, rather than an investment with a view to the future.
- Trade information: there is limited knowledge about trade opportunities to be realized in trade agreements with regional partners. This is linked to research and development, if companies do not research possible gains from trade agreements, they will not seek to access regional markets.

Unlocking Zambia's Potential

Correspondence on this Document can be sent to:
info@pmrczambia.net

Policy Monitoring and Research Centre (PMRC)
Ministry of National Development Complex, Corner of John Mbita and Nationalist Roads, Ridge-way,
Private Bag KL 10
Tel: +260 211 269 717 | +260 979 015 660

www.pmrczambia.com

