

## **TRADE POLICY REVIEW BODY**

### **Review of Zambia**

### **TPRB's Evaluation**

The Trade Policy Review Body of the World Trade Organization (WTO) conducted its first review of Zambia's trade policies on 9 and 10 September 1996. The text of the Chairman's concluding remarks is attached as a summary of the salient points which emerged during the two-day discussion.

The review enables the TPRB to conduct a collective examination of the full range of trade policies and practices of each WTO member country at regular periodic intervals to monitor significant trends and developments which may have an impact on the global trading system.

The review is based on two reports which are prepared respectively by the WTO Secretariat and the government under review and which cover all aspects of the country's trade policies, including: its domestic laws and regulations; the institutional framework; bilateral, regional and other preferential agreements; the wider economic needs and the external environment.

A record of the discussions and the Chairman's summing-up, together with these two reports, will be published in due course as the complete trade policy review of Zambia and will be available from the WTO Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21.

Since December 1989, the following reports have been completed: Argentina (1992), Australia (1989 & 1994), Austria (1992), Bangladesh (1992), Bolivia (1993), Brazil (1992), Cameroon (1995), Canada (1990, 1992 & 1994), the Czech Republic (1996), Chile (1991), Colombia (1990), Costa Rica (1995), Côte d'Ivoire (1995), the Dominican Republic (1996), Egypt (1992), the European Communities (1991, 1993 & 1995), Finland (1992), Ghana (1992), Hong Kong (1990 & 1994), Hungary (1991), Iceland (1994), India (1993), Indonesia (1991 and 1994), Israel (1994), Japan (1990, 1992 & 1995), Kenya (1993), Korea, Rep. of (1992), Macau (1994), Malaysia (1993), Mauritius (1995), Mexico (1993), Morocco (1989 & 1996), New Zealand (1990), Nigeria (1991), Norway (1991 & 1996), Pakistan (1995), Peru (1994), the Philippines (1993), Poland (1993), Romania (1992), Senegal (1994), Singapore (1992 & 1996), Slovak Republic (1995), South Africa (1993), Sri Lanka (1995), Sweden (1990 & 1994), Switzerland (1991 & 1996), Thailand (1991 & 1995), Tunisia (1994), Turkey (1994), the United States (1989, 1992 & 1994), Uganda (1995), Uruguay (1992), Venezuela (1996), Zambia (1996) and Zimbabwe (1994).



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#### **Concluding Remarks by the Chairperson**

The Trade Policy Review Body has now completed its first review of Zambia's trade policies and practices. These remarks, made on my own responsibility, summarize the main points of the discussion. They are not intended to substitute for the collective evaluation and appreciation of Zambia's trade policies and practices. Details of the discussion will be reflected in the minutes of the meeting.

The discussion developed under three main themes: (i) the external and regional setting for Zambia's trade policies; (ii) Zambia's economic situation; and (iii) specific questions on trade measures.

#### **External and regional setting for Zambia's trade policies**

Members commended Zambia on its unilateral liberalization efforts and its determination to base its economic and trade policies on the principles of the multilateral trading system. The point was emphasised that open markets were necessary to support Zambia's economic restructuring. Within this context, Members asked about the access granted to Zambia by its neighbours in regional trade agreements, such as SADC and COMESA, to which it is a party; that available under the Lomé Convention; and the effects of such access on Zambia's own liberalization process. Questions were also posed concerning broader regional co-operation, including under the Abuja Treaty. Some members noted the desirability of regional approaches on tourism, with regard to resources shared by Zambia and its neighbours. Participants commented that Zambia's regional agreements should be fully consistent with the WTO Agreements.

The representative of Zambia began his response by indicating that he would provide written answers to some of the questions upon his return to Zambia. Areas he proposed to cover in this way included: the impact of SADC in the short- and medium-term; the macroeconomic environment; and Zambia's commitments under the GATS.

The representative of Zambia went on to emphasise that his country had embarked on an unparalleled and bold growth programme in both the political and economic spheres; Zambia was committed to this programme and sought the support of the international community to ensure the success of the programme. He indicated that his country sought to enter into a range of bilateral trade arrangements and was currently negotiating agreements with Zimbabwe and SACU member States. On regional arrangements, it was his Government's view that COMESA and SADC could co-exist in a constructive manner. He noted that there would be a joint COMESA/SADC meeting in November of this year that would deal with any duplication of activities by the two. COMESA had been notified to the WTO in line with the Uruguay Round Agreements, and that Zambia would encourage all COMESA members to ensure that the regional arrangement complied fully with the WTO.

With respect to the suggestions on regional approaches to tourism, he indicated that joint packages had been initiated with South Africa and Namibia and that consultations had been initiated with Kenya. On the Lomé Convention, he noted that as the preferences would end by the year 2000, Zambia had already begun to sensitize its business community to the stiffer competition that would result.

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**Zambia's economic situation**

Members appreciated Zambia's significant economic reforms introduced since 1991. They noted that results had been slow in coming, partly because of the recurrence of drought; however, there had recently been an encouraging expansion of non-traditional exports. Both savings and investment levels remained low: Members asked about the effects of measures taken to increase savings and attract foreign direct investment, after the recent removal of specific incentives. Some participants inquired about levels of interest rates and their effects on competitiveness of Zambian goods and services; the structure and viability of the external current account; and the volatility of international reserves. Acknowledging that economic reforms can often be politically sensitive, Members asked questions regarding the short-term impact, and longer-term effects, of Zambia's structural adjustment measures, including the privatization programme. Questions were posed regarding domestic structural constraints on export diversification and the further development of non-traditional products.

Participants sought clarification on limitations maintained by Zambia on foreign investment in services. They noted that the prospects for FDI could be improved by Zambia's participation in future WTO services negotiations and by increasing its GATS commitments.

The representative of Zambia replied that in the short term structural adjustment had had adverse effects on the welfare of Zambia's people. This had not brought any political instability as Zambians strongly believed that the adjustment programme was the only way to revitalize the economy. In this context, Zambia had embarked on a comprehensive privatization programme, under which 138 companies had already been sold. Zambia was committed to privatizing ZCCM, the Copper Company, and ZAMTEL, the telecommunications company; the former had already been advertised for sale and the deadline for tenders was end-February 1997. He noted that a number of measures had been taken to attract foreign direct investment, including the removal of customs duty on imports of machinery in certain sectors, infrastructural improvements and 100 per cent profit repatriation by foreign investors. He noted that the Investment Centre did not have the capacity to process investment licences in the highly complex mining and financial services sectors; therefore these were the responsibility of the respective Ministries. New legislation had also been introduced for the creation of private pension schemes, which might improve savings. The representative emphasised that there were, indeed, a number of constraints facing Zambian exports, however, Zambia had a comparative advantage in areas such as horticultural products, precious and semi-precious stones, agriculture, textiles, engineering, wood and wood products, leather and tourism.

**Specific questions**

Expressing full appreciation for the considerable progress made by Zambia in liberalizing its trade régime, Members sought clarification on the consultative process for trade policy with the private sector. While noting that the tariff structure had been significantly simplified, participants expressed concerns both about the low level of Zambia's WTO bindings on non-agricultural products, and about the disparity between bound and applied rates. Participants noted the heavy dependence of Zambia's government revenue on border taxes and asked if this might slow its further pursuit of tariff liberalization.

Specific questions were also raised on the compatibility of the Import Declaration Fee with WTO rules and timetable for its abolition; as well as the incorporation of WTO disciplines into domestic trade legislation including on customs valuation, pre-shipment inspection, and anti-dumping and countervailing measures. The existence of a long-standing anti-dumping measure, applied on an m.f.n. basis, was particularly emphasised by some members. Members also asked about prospects for further

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liberalization of services sectors, particularly telecommunications, and the implementation of the trucking activities licence.

The representative of Zambia responded that some 25 per cent of government revenue came from border duties; the dependence was therefore less serious than had been suggested. Government officials held quarterly meetings with the private sector to discuss a number of policy issues, including those relating to trade; the private sector was also involved in trade negotiations and in the preparation for Singapore. On the disparity between bound and applied tariffs, he reassured Members that Zambia had no intention of increasing tariffs, but rather was committed to future liberalization. He indicated that the Import Declaration Fee would be eliminated this year; a number of measures, including a broadening of the tax base and improved performance by the Zambia Revenue Authority would fill the subsequent financial gap. Zambia was fully committed to implementing the WTO Agreement on Customs Valuation, but needed technical assistance for this purpose; inter-Ministerial consultations were underway to this effect. He noted that the company making the product on which there was a long-standing anti-dumping duty was in the process of privatization and hence the duty could be expected to lapse. He added that there was no discrimination between local and foreign truckers in granting the trucking activities licence, whose issuance was intended to arrest smuggling.

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In summary, the overall thrust of the discussion was encouraging and supportive of the underlying direction of Zambia's economic and trade policy. At the same time, many of the questions posed reflected members' concern that the economic reform process in Zambia should be sustained and deepened, accompanied by full compliance with all of Zambia's WTO obligations.

Members welcomed the significant steps taken by the Zambian authorities towards a more open and deregulated economic and trade régime; they also welcomed steps being taken by Zambia to overcome infrastructural and other supply constraints. They recognized the difficulties of such major adaptation, particularly given the inevitable time-lag before the steps taken translate into practical benefits for the Zambian economy. They were conscious that, if the policies pursued domestically are to achieve the desired results, it is important that they receive support at the regional level and within the multilateral trading system.

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