Workshop on The Cost of Non-tariff Barriers to Business along the North-South Corridor (South Africa-Zimbabwe) via Beit Bridge –Presented by Gregory Mthembu-Salter					
Date:	29th August 2007	**Time:**	10:30am – 12:30pm	**Venue:**	BUSA Offices

MINUTES	
No.	**Description**
1.	**Introduction of Paper**
	The paper uses the SADC definition of non-tariff barriers (NTBs) which are classified into three groups: o Health, safety and environment barriers (Sanitary and Phytosanitary (SPS) measures) o Trade Policy barriers o Administrative Barriers Gregory highlighted the difficulty of measuring the costs of NTBs as there is no consensus on the definition. For instance the model of comparing exports from one country to another cannot be applied in SADC because intra-African trade is based on what a particular country lacks. Gregory noted that the Zimbabwe-SA trade relation is unique, and that the same applies to all SADC member states and that the search for a typical picture in SADC is a futile exercise as there is no typical country in the region.
2.	**General Overview**
	Transport of goods from SA to Zimbabwe takes roughly 1.5-2days and 2 days from Zimbabwe to SA. Delays are mainly occasioned by SARs and clearing agents. Suggested solutions are to utilize the “Single Administrative Document” (SAD) system that would facilitate customs clearance and keeping the border open 24/7, though this might be contribute to high rates of goods smuggling. The researcher also noted that only a small percentage of trucks are willing to use the latter facility. The researcher noted that one-third of the trucks that used Beit Bridge were diverting to the Botswana border because of shortage of diesel in Zimbabwe and administrative barriers. It was also noted that trucking queues at the Durban harbour cost transporters ZAR150, 000 per hour.
3.	**Sector Analysis and Identified NTBs**
	The NTBs along the North-South corridor were examined through the lens of the main industries that operate along this route. The sectors identified were nickel, fuel products, motor vehicles, steel, cotton, tobacco and Zimbabwean manufactured goods. Platinum does not feature in the analysis because there aren’t any export

figures on this product.

Nickel: Zimbabwe’s nickel exports to SA are worth R1.86bn. NTBs identified are: Zimbabwe’s forex (FX) controls, high transport costs, disputes with Zimbabwean authorities on whether imports are goods or services (Zimbabwean government imposes 20% withholding tax on services) and administrative delays at Beit Bridge. It was particularly noted that: 25% of earnings are to be remitted at the official exchange rate, there is great difficulty in sourcing foreign exchange, which therefore adds one-third of the cumulative costs and goods ought to be transported by rail to mitigate the high transport costs.

SA Fuel Exports: Zimbabwe imports 100% of its refined fuel product needs and SA is its main supplier. NTBs identified are: FX controls, high transport costs and SA export permits. It was noted that Zimbabwean buyers face price controls and usually cannot access hard currency to buy the products, whilst export permits from the government were issued once the demand for the product has been met in SA.

SA Vehicle exports to Zimbabwe: SA exports vehicles were worth a recorded ZAR570 million in 2006 [same change to all export and import values] to Zimbabwe. NTBs identified are: FX controls, SA ban on road use for second hand vehicles and delays at Beit Bridge. It was noted that beginning April 2007, all import duties are to be paid in foreign currency, vehicles in Zimbabwe are classified as a luxury which makes it difficult to obtain FX from the reserve bank, and the SA ban on road use for second hand vehicles has locked small entrepreneurs out of this trade.

SA Steel Exports to Zimbabwe: Steel exports to Zimbabwe are worth ZAR 270 million. NTB identified is FX because buyers in Zimbabwe are unable to source FX and SA companies are therefore compelled to help their clients source FX so that they can buy the latter’s products.

Zimbabwean Cotton Exports to SA: Zimbabwean cotton exports are approximately worth ZAR 253 million. NTBs identified are: FX controls, delays at Beit Bridge and SA SPS requirements. It was noted that: the Zimbabwean government requires companies to remit 40% of their FX earning at the official rate which translates to a 40% export tax and that SPS certificates from SA can take time to obtain.

Zimbabwean Tobacco Exports to SA: Zimbabwean cotton exports to SA were worth ZAR 111.2 million in 2006. NTBs: FX Controls, high transport costs, SA SPS requirements and delays at Beit Bridge. It was noted that: the exporters are required to remit 25% of the FX earnings at the official exchange rate, road transport was more costly than rail, it takes time to obtain SPS certificates in Zimbabwe and that tobacco carrying trucks are usually delayed at Beit Bridge as they are thoroughly inspected by customs officials.

Zimbabwean Manufacturing Exports to SA: NTBs identified are: FX controls, delays at Beit Bridge and SA two-stage conversion requirement. It was noted that: exporters are required to remit 40% of the FX earnings at the official exchange rate, it is difficult to source FX and that SA requires a two-stage conversion of textiles from Zimbabwe, whereas it does not apply the same onerous requirement on textiles from LDCs in SADC.

4.	**Conclusion**

4.1	Trade policy and administrative NTBs are the main barriers on the Beit Bridge route. The use of rail transport as opposed to road transport is a big issue that has regional interest and that needs to be addressed at a SADC level. The Durban port should reduce queues for trucks too and not just for ships.
4.2	**Discussion**
	SA business welcomes this kind of research. BUSA involved in monitoring NTBs in the region and relying on the COMESA framework. BUSA encouraged to feed findings of the monitory exercise into the World Bank sponsored Sub-Saharan Africa Transport Policy Program (SSATP) observatory. Noted that rail infrastructure not maintained and appeal to encourage air freight. Harmonization of economic policy on a regional level is very difficult to address because of state sovereignty constraints. Noted that at the Durban harbour SA requires trucks belonging to foreign companies to dislodge their trams from the rolling stock and then use SA owned trams to transport goods to the ship. This has been a barrier that has caused many transport companies to use the Mozambique harbour. Another barrier is the VAT charged to Zimbabwean companies that collect goods from SA. A refund is supposed to be paid out at the border but one can only obtain a refund at the maximum of ZAR 2000. The main problems that arise are that the refund is paid in rands and not in foreign currency, it may take up to 3 months to get a refund and SARs requires one to produce a business licence or proof of company registration in order to pay out refund. The trade facilitation champions in the region are SA and COMESA. Under the Aid for Trade agenda there is money available for a project that will identify and cost the bottlenecks in the North-South and East-West corridors. Suggestion to have a one-stop border but noted that this is workable with a common set of procedures and customs regulations in the region. Unfortunately the SAD systems have not completely married so the differences continue to cause problems.
4.3	**Question and Answer Session**

	Q: Did the researcher examine the trade agreements between the two countries and particularly provisos relating to rules of origin? **A:** the sectors investigated did not raise this issue which is perhaps experienced by smaller sectors. **Q:** Is it not true that trucks are exempt from the FX requirement? **A:** Yes, single cab bakkies are also exempt from the FX requirement. **Q:** Is there more that needs to be done on the policy side because the SADC finance and investment protocol addresses FX issues? **A:** Noted that F & I protocol has not yet been adopted for implementation and countries are trying to move towards it through memoranda of understanding. Even if adopted its implementation will be difficult because its nature is more of guidelines without enforceable mechanisms.
4.4	**Way Forward**
	Suggestion to study the effect of NTBs on the supply chain, with a bias to SA companies, and SA-Botswana as a case study. Suggested that Congo and Angola be considered as case studies too for strategic reasons and because they are proving to be difficult markets. Suggestion to concentrate research endeavour with World Bank project by sticking to the main corridors so as to have an effective impact. Suggestion to focus on companies that have supply chains in the region so that the issue covers the region and answers the question of how the corridors affect supply chain management.