The Cost of Non-tariff Barriers to Business along the North–South Corridor (South Africa–Zimbabwe) via Beit Bridge: A Preliminary Study and Working Paper

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1. Introduction

Trade tariffs have tumbled over the last 20 years, and across the world stand at a fraction of their former levels. There is wide consensus that this change has boosted international trade and international gross domestic product (GDP) growth.[2] Yet tariff reduction presents severe problems to governments trying to protect domestic producers from foreign competition, or that want to assist the foreign market penetration of their producers, or, and this applies particularly in Africa, are seeking to sustain their own precious fiscal revenue streams from external trade. For the poorer a country is, and the weaker its domestic revenue collection system, the more dependent it usually is on external trade taxes. In sub-Saharan African states, between a quarter and a third of total domestic revenue comes from trade taxes, while in typical high-income countries, less than 2% of government revenue comes from this source.[3] For all these reasons, governments, including many African ones, have over the last 20 years increasingly resorted to non-tariff barriers (NTBs) to achieve the aims that tariffs used to achieve. Though specific sectors of national economies can and do benefit from the NTBs their governments have imposed, because other countries also impose NTBs, economies as a whole end up suffering, since the cost of business goes up for everyone.

The Southern Africa Development Community (SADC) Protocol on Trade commits member states to creating a free trade area within their collective borders by 2008. This primarily means the elimination of tariff barriers, but the Protocol also calls on SADC states to 'adopt policies and implement measures to eliminate all existing forms of NTBs' and to refrain from imposing any new ones.

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2 Though the concern is also widespread that the development has worsened global inequality.

3 Sindzingre A, 'Financing the developmental state: Tax and revenue issues', presentation at the Overseas Development Institute, London, 2006.

SADC trade ministers met in Dar es Salaam, Tanzania in 1999 and charted a course for SADC states to achieve this, but since then progress on the ground has been slow. While the prevalence or severity of some NTBs has been reduced within SADC, many NTBs still remain. In addition, the commercial sector reports that new NTBs have emerged, further raising the cost of doing business within the region. To revitalise SADC's anti-NTB efforts, a workshop in Pretoria, South Africa in November 2006 developed an action plan for the elimination of NTBs in SADC. Workshop delegates agreed to draw on existing good practice within the Community of Eastern and Southern Africa, to streamline common procedures for NTB reporting and subsequent follow-up action by member states. Also at the workshop, private sector delegates shared with state bureaucrats their own practical experiences of NTBs in SADC. Since the workshop, the SADC Secretariat has prepared a draft annex on NTBs that will be discussed by member states at a workshop in South Africa in September 2007.

A useful inventory of SADC NTBs was produced in late 2004, defining them as 'any regulations other than a tariff or other discretionary policies that restrict international trade'. The SADC inventory grouped NTBs into three categories:

1. *health, safety and environment NTBs:* these barriers include exports bans, restrictive sanitary and phytosanitary (SPS) requirements, standards and conformance requirements;

2. *trade policy NTBs:* these barriers include broader policy measures, including public export assistance,[4] export taxes, import licences, import quotas, production subsidies, state trading and import monopolies, tax concessions, trade remedy practices (such as anti-dumping, safeguard and countervailing measures), etc.; and

3. *administrative NTBs:* these barriers include customs clearance delays, lack of transparency and consistency in customs procedures, overly bureaucratic and often arbitrary processing and documentation requirements for consignments, high freight and transport charges, and, generally, services that are not user-friendly.[5]

To ease the reporting process within SADC, delegates at the Pretoria workshop agreed that the World Trade Organisation (WTO) inventory of non-tariff measures should be used in future. The WTO inventory covers much the same ground as the SADC classification, but divides NTBs into a less wieldy seven categories rather than three. For the purpose of this study, the SADC classification has been used.

4 For example, South Africa's Motor Industry Development Plan.
5 Imani Development Austral, *Inventory of Regional Non-Tariff Barriers*, 2004.

This study is intended to inform the process of eliminating NTBs in SADC, by contributing to our understanding of which are the most costly NTBs — and thus the ones where most benefit would be derived from their elimination — currently prevalent along one section of the region's busiest trade route, the north–south corridor. The section under consideration is between Durban and Zimbabwe via Beit Bridge. To understand the workings of NTBs in SADC, a far wider study is required, but as an initial contribution to this process, the Durban–Zimbabwe section was chosen on the grounds that the value of bilateral trade between South Africa and Zimbabwe exceeds any other bilateral trade within SADC.[6] The likelihood is, therefore, that NTBs on this route are the most costly in the region, and that their removal would generate the largest savings to the region's economy.

2. Measuring the cost of NTBs

Measuring the cost of NTBs is extremely challenging, especially in developing countries where much of the relevant economic data required to do so is simply missing. The SADC NTB inventory referred to earlier noted that while quantification of the costs to the region of NTBs is desirable,

> firstly it is necessary to get a more in-depth understanding of the problems. It is also worth noting that, internationally accepted quantification methodologies for NTBs can best be described as being in their formative stages, and relevant stakeholders will need to take a pragmatic approach.[7]

Deardorff and Stern of the University of Michigan provide a useful discussion of different NTB quantification methodologies in a 1999 Organisation for Economic Co-operation and Development working paper.[8] These two economists argue that the purest measure of an NTB in the price dimension is one that ‘compares the price, p0, that would prevail without the NTB, with the price, p2, that would prevail domestically with the NTB if the price paid to suppliers were to remain unchanged’.[9]

Yet they concede that in real life, both these prices are usually impossible to observe. As a more practicable alternative, they suggest instead the comparison of foreign and domestic prices of identical or at least comparable goods in the presence of an NTB. This can sometimes work,

6 See section 3 for details.
7 Imani Development Austral, vol. I, *Synthesis Report*, p.6.
8 Deardorff A & R Stern, *Measurement of Non-Tariff Measures*. Paris: OECD, 1999.
9 Ibid, p.13.

particularly when examining trade between developed countries, but the method is problematic, particularly for SADC, where South Africa typically exports goods to other countries in the region that they do not produce themselves, meaning there are often no domestic goods with which to compare imports.

An alternative methodology discussed by Deardorff and Stern is instead to examine quantity impact measures. The idea here — and it is a good one — is to gauge the impact on trade volumes of a given NTB or set of NTBs. Yet here again, as Deardorff and Stern observe,

> [u]nfortunately, there does not seem to be any way of getting such direct measure of the quantity effects of an NTB .... While the quantity that is imported under the NTB is observable, there is usually no other quantity against which to compare it.[10]

A possible exception to this is when an NTB is suddenly imposed, enabling one to observe trade volumes before and after. Here too, however, as Deardorff and Stern point out, '[u]nless the implementation of the NTB comes as a complete surprise to the public, it is likely to have effects — perhaps perverse ones — long before it is formally put in place.[11]

The authors ultimately find that while potentially useful, both price and quantity methodologies for measuring NTBs have serious shortcomings and omissions, and are not overly reliable.

Ideally, Deardorff and Stern conclude, ways of measuring NTBs should be constructed to reflect equivalence to tariffs in terms of their effects on the domestic prices of traded goods. This is a sensible goal, since it allows NTBs to be compared both with one another and with tariffs, making it easier — perhaps — to devise effective ways to abolish them. Even so, the authors' stress, the pursuit of these tidy numerical equivalences between tariffs and NTBs should not obscure the basic truth about research in this field that '*[t]here is no substitute for NTB-specific expertise.* The reliability of any measures of NTBs that may be constructed for particular sectors is limited by the knowledge of the intricacies of those sectors'.[12]

Bora, Kuwahara and Laird, three economists working for the United Nations Conference on Trade and Development, in a 2002 paper on the quantification of non-tariff measures (NTMs) (which they define more broadly than NTBs) agree with Deardorff and Stern that tariff equivalence is the ideal NTB measure, but warn in similar fashion that '[t]here is no single method that can be relied upon

10 Ibid, p.18.
11 Ibid, p.21.
12 Ibid, p.45; original emphasis.

to measure the sizes of NTMs that may be present in all sectors of the economy. There is no substitute for NTM-specific measures'.[13]

While there is much in the literature on NTB measurement about what does not work, usefully, these three authors stress that in such research,

> [g]reatest reliance should be placed, where possible, on measures that derive their information from market outcomes in preference to measures that seek to construct estimates of the market outcomes from the quantitative data. There are many NTMs in practice for which high-quality measures are simply not available.[14]

With Bora, Kuwahara and Laird's suggestion in mind of the benefit of a multiplicity of research approaches in evaluating NTBs, their good advice that market outcomes provide the best data and their soothing consolation about the likely absence of high-quality measures in many instances, this study has sought to establish what NTBs along the South Africa–Zimbabwe stretch of the north–south corridor cost to businesses that move goods up and down this route. The study is not comprehensive, but pays particular attention to businesses involved in the trade in sectors that dominate official bilateral trade figures for South Africa and Zimbabwe (see section 3, below).

A key market outcome for NTBs on this stretch of the north–south corridor is what the trends are at the Beit Bridge border crossing itself. Accordingly, the study draws on useful quantitative data about these trends from the Federation of East and Southern African Road Transport Associations (FESARTA) and the South African Revenue Service (SARS). Recognising the need for NTB-specific expertise in evaluating the cost of NTBs, the study also makes use of interviews with importers, exporters, transporters, freight forwarding agents and government employees.

It has been necessary in the study to adopt a relatively broad understanding of cost. While all NTB costs ultimately impact on businesses' bottom line, and generally get passed on to consumers in the form of higher prices, the costs nonetheless manifest themselves in many different ways. Sometimes NTB costs are straightforwardly financial from the start, as for example when states impose new levies on transporters. Other costs businesses measure in time, such as the time it currently takes Zimbabwean importers to source the foreign exchange they need to complete their trades. Unpredictability is another cost from a business perspective, as for example when official

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[13] Bora B, A Kuwahara & S Laird, 'Quantification of non-tariff measures', *Policy Issues in International Trade and Commodities Study Series* No. 18. New York: OECD, 2002, p.13.
14 Ibid., p.14.

rules develop a habit of changing often and without warning, making it increasingly difficult for companies to plan for the future. Then there is corruption, which carries a financial, but increasingly also a reputational cost for business.

3. The trade context

Recorded exports to the rest of Africa from South Africa rose from R12bn (US$1.8bn) in 1995 to R44bn (US$6.8) in 2005, when they constituted 14% of South Africa's total export basket. Only 5% of South Africa's recorded imports in 2005 came from the rest of Africa, leaving South Africa with a R26bn (US$4bn) trade surplus from the continent. SADC took 68% of South Africa's African exports in 2005, and provided 66% of its African imports. Eight out of ten of South Africa's main African trading partners on the continent that year were SADC members.

In 2005, as in nearly all previous years, and despite Zimbabwe's worsening economic woes, the country was South Africa's main African trading partner, while South Africa was Zimbabwe's most important global trading partner. According to Standard Bank, in 2005 South Africa's exports to Zimbabwe were worth R11.bn (US$1.7bn). This was a quarter of South Africa's 2005 African export total, and half Zimbabwe's *total* 2005 import bill.[15] While South Africa runs a significant trade surplus with Zimbabwe, trade is by no means all one way. According to official Zimbabwean statistics, total Zimbabwean exports were worth US$1.67bn in 2003, and an estimated US$1.68bn in 2004. These figures show that 20.6% of Zimbabwe's recorded exports went to South Africa in 2003, rising to 30.2% in 2004.[16] This implies Zimbabwean exports to South Africa were worth a not inconsiderable US$344m in 2003 and US$507m in 2004.

SARS statistics for 2006 show the main South African exports to Zimbabwe in 2006 by value to have been mineral fuels, machinery and vehicles. The main Zimbabwean exports to South Africa were nickel, cotton and tobacco (see table 1). In fact, there is a major omission here, since by far the most valuable of Zimbabwe's exports to South Africa is platinum ore. Yet, curiously, the value of this export is entirely unreflected in the official statistics. Because all Zimbabwe's platinum ore is refined in South Africa and then exported, it is recorded in official statistics as a South African export.[17]

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15 Darmalingam S, *South Africa: Hardcover — South Africa's Global Trade Dynamic.* Johannesburg: Standard Bank, 2007, p.31.
16 Coorey S, *Zimbabwe: Selected Issues and Statistical Appendix*. Washington, DC: International Monetary Fund, 2005, pp.104–5.
17 Telephone interview with Roger Bullion, South African Chamber of Mines, Johannesburg, 18 May 2007.

Table 1: Selected items in South Africa–Zimbabwe bilateral trade, 2005–06

2005		**2006 (Jan.–Nov.)**	
Item	**Value (R m)**	**Item**	**Value (R m)**
South African exports to Zimbabwe			
Mineral fuels	1,117.0	Mineral fuels	1,249.9
Machinery	786.3	Machinery	813.8
Vehicles	434.1	Vehicles	566.9
Iron and steel	268.4	Iron and steel	270.1
Chemical goods	214.2	Chemical goods	217.3
Zimbabwean exports to South Africa			
Nickel	497.3	Nickel	1,845.8
Cotton	247.8	Cotton	253.0
Tobacco	117.1	Tobacco	111.2
Mineral fuels	83.9[18]	Iron and steel	53.7
Iron and steel	50.0	Textiles	46.0

Source: SARS

4. Administrative NTBs at Beit Bridge

The Beit Bridge border crossing between South Africa and Zimbabwe is the busiest in SADC, and perhaps in Africa as a whole. Up to 400 trucks cross the border every day. Eager to reduce what it and many of its members regard as unacceptably long delays at the crossing, FESARTA commissioned research during 2005–06 to determine just how long it was taking trucks to clear the border. The results are summarised in table 2.

Table 2: Average time taken in hours for heavy commercial vehicles to transit Beit Bridge border crossing

Northbound	Sep. 05	Oct. 05	Nov. 05	Dec. 05	Jan. 06	Feb. 06	Mar. 06	Apr. 06	May 06	June 06
Consolidated multiple entry (CME)[19]	83	62	75	125	50	62	59	59	60	63
Break bulk single entry (BBSE)[20]	53	48	39	48	39	23	11	40	24	48
Refrigerated	16	26	12	18	5	8	3	10	10	5
Tankers	37	17	18	14	31	13	7	11	9	5

18 This is an anomalous result, since Zimbabwe lacks a fuel refinery, and may be due to a Zimbabwe-based trader buying the fuel and then reselling it to South Africa. The fuel itself in this case may never have entered Zimbabwe.
19 A flat-deck trailer (or two flat-deck trailers), loaded with a single commodity, usually covered with a tarpaulin, and destined for one consignee.
20 A containerised load of many different items, such as various goods destined for a supermarket or for more than one customer.

Southbound	Sep. 05	Oct. 05	Nov. 05	Dec. 05	Jan. 06	Feb. 06	Mar. 06	Apr. 06	May 06	June 06
CME	-	-	-	-	-	-	-	-	-	-
BBSE	23	31	26	29	25	6	19	13	28	44
Refrigerated	3	4	4	23	1	3	2	4	3	3
Tankers	1	1	1	8	3	4	3	3	3	3

Source: FESARTA

As table 2 shows, FESARTA's study found that it took an average of 2.5 days for CME trucks travelling from South Africa to Zimbabwe to clear through Beit Bridge. Two and a half days is a very long time for a truck to have to wait at a border within a region whose member states say they are committed to free trade. If the finding is accurate, it is of great concern, and demanding of urgent redress by the Zimbabwean and South African authorities. FESARTA found an improved picture for BBSE trucks, which apparently took a little over a day to clear Beit Bridge travelling north from South Africa to Zimbabwe, and slightly less when travelling south from Zimbabwe to South Africa. Trucks carrying refrigerated goods and tankers, meanwhile, appeared to have little difficulty clearing the border in either direction, usually taking only a few hours to do so.

The FESARTA research sought also to determine how exactly time is spent by trucks and truckers at the border crossing. The findings, which are summarised in table 3, show that between March and June 2006, the average CME truck heading north from South Africa to Zimbabwe spent 26.2 hours being processed by the South African Revenue Service (SARS) and an even longer 28.5 hours going through the Zimbabwe Revenue Authority (ZIMRA) system. Clearing agents occupied another 6.4 hours. Northbound BBSE trucks had an easier time of it, with the two revenue services during the period under review, spending 8.4 hours with SARS and 12.8 hours with ZIMRA. A further 3.5 hours was spent with clearing agents. Unhelpfully, no data was obtained during the FESARTA survey of Beit Bridge processing times for goods vehicles heading from north to south. Southbound BBSE trucks, however, took an average of 10.9 hours dealing with SARS, and a further 5.9 hours with ZIMRA. In all cases, time spent at weigh bridges was low, averaging 0.6 hours for northbound CME vehicles, 0.8 hours for northbound BBSE trucks, and a rather surprising zero hours for southbound vehicles in every category.

As it stands, table 3 is problematic, because the figures for each column add up to more than the stated totals. In the case of northbound CME vehicles, for example, the actual total for all the figures given in the table is 85.6 hours, signifying a staggering 3.5 day average processing time at Beit Bridge for this category. It may be that the row termed 'waiting for duties' recounts time already measured elsewhere in the table; if the row is removed, then the given totals more closely, but still not precisely, reflect the numbers in the rest of the table. Another methodological concern

is the relatively small percentage of total traffic that was monitored during the research at Beit Bridge, 1.3% for trucks travelling north and 0.6% for trucks travelling south.

Table 3: Average hours spent at Beit Bridge, March–June 2006

	North-bound CME	North-bound refrigerated	North-bound BBSE	North-bound tankers	South-bound CME	South-bound refrigerated	South-bound BBSE	South-bound tankers
South African clearing agent	3.7	1.1	1.3	1.4	n/a	1.1	4.0	0.9
Zimbabwe clearing agent	2.7	2.3	2.1	1.3	n/a	0.8	5.8	0.9
SARS	26.2	6.8	8.4	6.4	n/a	4.1	10.9	0.6
ZIMRA	28.5	8.1	12.8	10.8	n/a	1.3	5.9	0.4
Driver idle time	1.8	1.0	8.1	1.3	n/a	0.8	3.1	0.7
Weigh bridge	0.6	0.8	0.8	0.5	n/a	0.0	0.0	0.0
Waiting for duties	25.8	0.0	1.5	0.0	n/a	0.0	0.0	0.0
Document-ation error	0.9	0.0	0.8	0.7	n/a	0.0	1.4	0.0
Transporter delay	1.8	0.0	3.2	0.6	n/a	0.0	7.7	0.0
Scanning	0.0	0.0	0.0	0.0	n/a	0.0	0.0	0.1
Total	**60.9**	**7.7**	**30.2**	**8.9**	**n/a**	**2.9**	**26.5**	**2.8**

Source: FESARTA

Given these concerns, it may be more appropriate to view these findings as providing a rough, but still broadly accurate, indication of border transit times at Beit Bridge during the research period. Challenging this thesis though, the FESARTA findings are at odds with SARS's own data on border clearance times. According to SARS, the average transit time for trucks was indeed around 2.5 days in 2004, but the revenue authority claims there has been a significant streamlining of operations on both the South African and Zimbabwean sides of the border crossing since, reducing the transit time 'considerably'. *Total* average transit times between South Africa and Malawi via Zimbabwe using the Beit Bridge crossing are now said by SARS to be five days, calling into question whether half this time would be spent at one border crossing.[22]

22 Interview with SARS consultant, Pretoria, 29 May 2007.

Anecdotal and circumstantial allegations from transporters, traders and clearing agents abound of unacceptable time wasting by officialdom at Beit Bridge, but reforms in the way trucks are dealt with at this border need to be informed by something more substantial than this. This attempt by FESARTA to track and time the progress of different kinds of goods vehicles across the border is a unique and welcome contribution to this process, but, for this reason, there is all the more need for the findings to have greater credibility with all the stakeholders. To this end, there appears to be a case for repeating the border monitoring process at Beit Bridge with a tighter methodology, so as to generate more reliable data.

In the meantime, however, it is worth looking at the causes of delay at Beit Bridge, and at possible remedies. A strong recommendation of FESARTA in its bid to speed things up at Beit Bridge, and one that has in fact been taken up by SARS and ZIMRA, has been the establishment of 24-hours-a-day, seven-days-a-week opening hours at the crossing. The data gives an indication of how effective this has been. During FESARTA's sampling, 6.8% of northbound and 24.2% of southbound trucks crossed between 10 pm and 7 am. If this sample is representative, that indicates a welcome, though perhaps rather modest, take-up of the late night facility, which is probably due to the reluctance of clearing agents at the border to work during these hours. SARS suspects that the night shift is particularly favoured by trucks travelling south with so-called ‘grey loads’ that they are keen hide, and thus feels obliged to be extra vigilant, and carry out more time-consuming checks during these hours.[23]

The experience of 24/7 border opening hours has thrown into question the issue of clearing agents, and the extent to which their services will be affected by technological developments in the regulation of regional trade. According to FESARTA's data, it took northbound CME vehicles an average of 6.4 hours to finish with their clearing agents, northbound BBSE vehicles 3.4 hours, and south-bound CME vehicles 9.8 hours during the second quarter of 2006 (see table 3). But vehicles whose goods were pre-cleared before their arrival at Beit Bridge would have taken less than this average with border clearing agents, and would therefore have been able to get through the border crossing more quickly.

Pre-clearance is becoming increasingly popular for this very reason, and regional customs authorities are exploring ways to facilitate it further. The first step is to simplify customs documentation, and to this end a single administrative documentation (SAD) system was piloted for commercial vehicle traffic moving from South Africa to Malawi via Zimbabwe and Mozambique

23 Ibid.

during the second quarter of 2007. According to SARS, this reduced transit times by nearly 40%. This is a major achievement, and will also, SARS believes, make under- and over-invoicing harder for traders.[24]

The next time-saving reform after this is to make it possible for traders to submit their SAD on-line, simultaneously to all the relevant SADC customs authorities. This is to be piloted for commercial vehicle traffic between South Africa and Botswana, with SARS anticipating it could reduce transit times *to less than one hour* in most instances.[25] One major obstacle, however, is the use of differing customs and excise software by SADC's national customs authorities, which will take a political decision at SADC level to resolve. If and when SADC's political leaders agree to use one software package, agree which one it should be and then implement this decision, the way should be open for the electronic acquittal of bonds for goods in transit, which should further speed up transit times.

Looking even further into the future, SARS advocates the introduction of a single bond system for goods moving within SADC, rather than the current system of a separate bond for each country. There is, however, considerable resistance to this from poorer SADC members, which earn appreciable revenues from the current system, and will not willingly or easily give them up for the sake of making life easier and expensive for traders.[26]

As well as the issue of the time it takes to process paperwork during the normal course of events, another reason often cited by transporters for delays at Beit Bridge is when vehicles are impounded because the driver has been caught smuggling, and only released on the payment of a fine. Transporters would prefer that offending drivers are arrested and charged, but their vehicles left unimpounded. ZIMRA has apparently been amendable to their arguments but SARS refuses to change its stance, apparently on the grounds that transporters must accept a share of responsibility for smuggling. The matter remains unresolved.

Nonetheless, SARS's overall reform agenda, as outlined above, indicates that the general desire in the business community for less time spent processing paperwork at the border crossing has been taken on board.

A striking fact remains. Northbound trucks heading for Zimbabwe have no choice but to use Beit Bridge. But northbound trucks from South Africa heading for Zambia and the Democratic Republic

24 Ibid.
25 Ibid.
26 Ibid.

of Congo (DRC), which do have a choice, are increasingly avoiding Beit Bridge, preferring to use the Botswana route instead. Apparently, by mid-2007 there had a shift of 80 trucks per day from Beit Bridge to Groblers Bridge on the South Africa–Botswana border, despite the fact that the Beit Bridge route is more direct, and its border crossing far better resourced than Groblers Bridge.[27] The reason has to be that travelling through Zimbabwe presents costs to traders and transporters that outweigh these benefits. These costs include a chronic diesel shortage and a whole range of administrative NTBs, including prohibitive user and other penalty charges, which are explored in greater detail in section 6.

5. NTBs at Durban Port

South Africa's ongoing economic boom has generated a tremendous surge in import and export levels, and its ports are struggling to cope. The problem is particularly acute at Durban Port, which services the north–south corridor and is the country's — and indeed the continent's — busiest port. A lack of capacity and the inefficient utilisation of the capacity it does has have generated a very expensive NTB in the form of high freight and transport charges, much to the unhappiness of the port's customers. In May 2007, Oriental Shipping, a freight forwarder operating at Durban port, alleged that it and its colleagues faced unacceptable delays at the port due to:

- the shipping queue to enter the terminal being '10–15 km long';
- insufficient space for trucks in the port;
- insufficient straddles to load trucks; and
- the frequent 'misplacing' of containers, which can take up to five hours to locate.[28]

Transnet Port Terminals (formerly known as SA Port Operations) acknowledges the problems, and has said it is particularly concerned about the first of these factors. In late July 2007, Transnet Port Terminals chief operating officer, Solly Letsoalo, was quoted as saying:

> To date we have focused more on improving waterside efficiency as there is a far higher cost to the economy if ships, which cost an average of US$30,000 (R215,000) a day to run, are delayed than if trucks are congested.[29]

Transnet's efforts in this regard are beginning to paying dividends, Durban Port's terminal waterside

27 Ibid.
28 Cargo Info Africa, 'Forwarder challenges industry to act on freight congestion', 29 May 2007, <http://www.cargoinfo.co.za/NewsDetails.asp?ID=1729>.
29 *Business Report*, 'Durban container terminal to address delays for truckers', 31 July 2007.

operations were said by the company in July 2007 to be handling 5,000 containers a day, up from 4,000 in 2006. This was due to the time it takes to change over vessels reportedly being cut from nine to three hours during this period, with staff numbers increased from 13 to 15 gangs, capable of shifting 40 containers per hour, up from 33. Further improvements were anticipated in December 2007, when a new R2bn (US$300m) terminal was to be opened, anticipated to be capable of handling 720,000 containers a year.[30]

While not perhaps as expensive as waterside operations delays, the cost of truck delays is still considerable. Truck queues to enter Durban Port can extend for up to 5 km, resulting in delays of 3–6 hours at a cost per truck of R300 (US$46) per hour. This implies a 5 km queue costing transporters a total of R150,000 (US$23,000) per hour. Durban Port is already open 24 hours a day, but over 80% of trucks arrive there between 10 am and 10 pm. Transnet Port Terminals has said it plans to offer incentives to transporters to deliver and collect containers during off-peak periods to spread the load more evenly and thus speed up processing times. Another plan to ease delays is a new R77.3m (US$11.8m) facility called A-Check, to be built near the terminal, where trucks would park while drivers submit documentation. The A-Check will have a 250 truck capacity, and is scheduled for completion in June 2008. Beyond this, there are plans to upgrade roads leading to the terminal and to move more cargo onto rail, through the introduction of three scheduled trains a day from the terminal to Gauteng.[31]

6. Sectoral perspectives on the cost of NTBs

Having examined the cost of administrative NTBs, including customs clearance delays and high transport and freight charges,[32] the study now shifts emphasis to sectoral perspectives, since, as was argued in section 2, sector-specific knowledge is the key to understanding the cost of NTBs. Accordingly, the study presents a series of mini case studies examining NTBs costs in different sectors, ranked in order of the South Africa–Zimbabwe trade value of that sector (see table 1). There is in this a problematic element of selection bias, since it may be that some products not covered here would be traded more if they encountered fewer and less onerous NTBs. Yet even if such products exist (which they may well), the more pressing issue is surely to ensure that goods currently traded in large volumes between South Africa and Zimbabwe are traded more efficiently and with fewer NTBs to contend with. It is a selection of these goods that is considered below.

30 Ibid.
31 Ibid.
32 See Introduction for the working definition of administrative NTBs.

6.1 Zimbabwean nickel exports

SARS recorded Zimbabwe's nickel exports to South Africa as being worth US$1.86bn in 2006, making it by some way the two countries' most valuable recorded bilateral trade item. Nickel is certainly one of Zimbabwe's most important exports, generating increasing amounts of desperately needed foreign exchange for the country on the back of historically high commodity prices. The main domestic producer is Bindura Nickel, owned since 2004 by London Alternative Investments Market-listed Mwana Africa. Unlike platinum, Zimbabwe's nickel is processed in Zimbabwe and exported as 99.9% pure. Bindura exports 6,000–7,000 tons of nickel per year,[33] with an estimated value of US$267m.[34]

South Africa also produces nickel, raising the hope one could establish the tariff-equivalent cost of NTBs affecting Zimbabwean nickel exports to South Africa by comparing the prices of South African and Zimbabwean nickel. Unfortunately, the reality is more complicated. Firstly, the price of nickel, like all metals, is the same all over the world (though different grade products trade at different prices), meaning that whatever their cost structures, Zimbabwean and South African nickel producers have to sell their nickel for the same price. Secondly, regarding cost structures, geological fate has determined that, unlike in Zimbabwe, the bulk of South Africa's nickel production comes as a (highly-welcome) by-product of platinum production. Since the platinum was going to be mined anyway, this makes the nickel by-product essentially cost-free. There is only one primary nickel producer in South Africa, Nkomati, but Mwana Africa claims Nkomati's deposits carry higher nickel grades, and can be extracted by a simpler, cheaper process.

Table 4: NTBs ranked by cost faced by Zimbabwean nickel exporters to South Africa

Position	NTB	Type
1	Zimbabwean foreign exchange controls	Trade policy
2	Regional high transport costs	Administrative
3	Disputes with Zimbabwe authorities over import categorisation	Administrative
4	Delays at Beit Bridge	Administrative

Mwana Africa has indicated that the most expensive NTBs Bindura faces when exporting its product to South Africa and beyond are connected to Zimbabwe's foreign exchange controls. The

33 Telephone interview with Mwana Africa executive, Johannesburg, 21 May 2007. This is also the source of other information on Bindura cited below.
34 Based on the price for nickel on the London Metals Exchange, 12 June 2007, <http://www.lme.co.uk/nickel.asp>.

most costly of these controls has been the requirement to liquidate 25% of its foreign exchange earnings into Zimbabwean dollars. Such is the discrepancy between the official and market exchange rates that this translates into an effective 25% export tax.

Like everyone else, Bindura also faces official restrictions on reconverting these Zimbabwean dollars into foreign exchange, which it needs to buy imports. Foreign suppliers typically require 80–100% of the foreign exchange payment for imports up front. To source this foreign exchange legally, Bindura, like all Zimbabwean companies, requires a *pro forma* invoice, which the company must send to the Zimbabwean Reserve Bank via its commercial bank. This is then checked against the company's foreign exchange allocation. The Reserve Bank then sends its reply back to the commercial bank, which relays it to the company. Assuming the Reserve Bank's reply is positive, the company must then officially request the foreign exchange, again from the Reserve Bank via the commercial bank. The Reserve Bank then releases the foreign exchange, enabling the commercial bank to pay the supplier via a transfer. In addition to the time this process takes, there is an additional cost arising from the accounting it requires the company needs to do, which is apparently both complex and time-consuming. Mwana Africa has estimated that if it did not have to follow these procedures to secure its imports, projects would be completed in ‘a third less time’. If true, this has a huge financial consequence for the company. The situation has also constrained Bindura's ability to make capital investments, reducing future production and profit, while at the same time the company's uncertainty about what direction Zimbabwean foreign exchange controls will take next, or indeed what direction Zimbabwean policy on nationalisation will take next, hugely increases the risk of these investments.

Most of Bindura's other major costs derive from Zimbabwe's infrastructural problems. Power supply is increasingly erratic and expensive, and falling coal production at the Wankie Colliery has forced Bindura, like other coal users, to import coal from South Africa instead. The coal is of poorer quality than Wankie's and costs more to transport, and Bindura calculates it is paying 50% more per calories of energy burned then it used to. However, in terms of the SADC NTB classification system used in this study,[35] none of these problems qualifies as an NTB.

The classification system does, however, include excessively high transport costs for goods traded within SADC, categorising them as administrative NTBs. In this sense, the apparent dysfunction of the regional rail network is an NTB, since, like nearly all bulk importers and exporters between Zimbabwe and South Africa, Bindura uses the road network to move its output, despite the fact that

35 See Introduction.

rail is theoretically less expensive. But in addition to the cash cost of using rail for business are alleged substantial delays prior to the movement of goods due to lack of available rolling stock; a high risk of unexpected, prolonged delays during the movement of goods; and a major problem of theft.[36]

Coming third for Bindura in cost terms after trade policy NTBs associated with exchange controls and excessively high transport costs caused by railway network dysfunction are a host of administrative NTBs. The cost of these administrative NTBs manifest themselves both financially and in terms of time, with the most expensive arising from the implementation of Zimbabwean trade policy. The problem appears particularly acute for Bindura's imports. There are apparently 19 different official approvals required for the company's imports, and obtaining them takes between six weeks and three months. One reason it takes so long is that there are constant disputes between the company and the authorities about whether the imports constitute goods or services. Imported services are subject to a 20% withholding tax, while duty on imported goods can be waived if they are for projects designated with ‘national project status’. Companies therefore try to argue that their imports are goods, while the Zimbabwean customs authorities typically categorise them where possible as services.

Compared to these long delays, the time cost of administrative delays at Beit Bridge border crossing for trucks exporting nickel or importing goods and services for Bindura, while still important, appears relatively low. The company estimates that its trucks take four days from Johannesburg to Harare, two days of which are spent at the border.[37]

Finally, there is a relatively inexpensive NTB facing Bindura and other Zimbabwean nickel exporters, namely the cost of their compulsory support for the Minerals Marketing Corporation of Zimbabwe (MMCZ). The MMCZ charges metals exporters 0.875% of their revenues to enable it to market their product, yet South Africa lacks an equivalent body to no obvious ill-effect, while Swiss conglomerate Glencore handles Bindura's marketing, leaving the value added offered by the MMCZ decidedly unclear.

36 Spoornet was contacted for this study to provide information and its own analysis about the situation with freight by rail between South Africa and Zimbabwe, but declined to do so.
37 For a fuller discussion on the time it takes goods to clear through Beit Bridge, see section 4.

6.2 South African mineral fuel exports

The second largest commodity by value traded bilaterally between South Africa and Zimbabwe after nickel is South Africa's export of mineral fuels.[38] Zimbabwe lacks a fuel refinery and is thus obliged to import 100% of its refined fuel product needs. The main South African supplier is Sasol Oil.

Table 5: NTBs ranked by cost faced by Sasol Oil exporting oil to Zimbabwe

Position	NTB	Type
1	Zimbabwean foreign exchange controls	Trade policy
2	Regional high transport costs	Administrative
3	South African export permit	Administrative

The most costly NTB Sasol Oil reported encountering while exporting fuel to Zimbabwe was the increasing difficulty its clients have in sourcing the foreign exchange to pay for its product.[39] The foreign exchange shortage is in part due to the foreign exchange controls discussed in the previous sub-section, but is also due to a chronic actual shortage of foreign exchange, which, claims the Zimbabwean government, is because of a conspiracy by donors to bring it down by denying Zimbabwe aid.

Sasol Oil reported that the state-owned National Oil Company of Zimbabwe (Noczim) in particular increasingly lacked the means to place tenders, and as a result its mineral fuels export levels to Zimbabwe had dropped 20% in just one year. Perhaps because of the rising cost of fuel, however, SARS figures indicated an 11% increase in the value of South Africa's mineral fuel exports to Zimbabwe between 2006 (January to November) and 2005.

The second most expensive NTB encountered by Sasol Oil is, as with Bindura, having to transport so much of its goods by road to Zimbabwe rather than by rail. The company reports that in previous years about half its mineral fuel exports to Zimbabwe went by rail, but that this had declined to just a quarter of the total. The figure is, it seems, set to drop even lower because of a sharp reported reduction in early 2007 in the number of fuel tankers Spoornet is making available for export north of South Africa's borders. Yet lack of availability is only part of the problem, with Sasol Oil complaining also of long, unexpected delays and high levels of theft with its rail freighted goods.

38 See table 1.

39 This, and the rest of the information presented here about Sasol Oil, comes from an interview with Douglas Rikhotso, Sasol Oil, Johannesburg, 29 May 2007.

As the exporter, Sasol Oil has only to satisfy South African administrative requirements, leaving it to Zimbabwean fuel importers to satisfy Zimbabwean administrative ones. Accordingly, the company must satisfy regulations pertaining to the transport of hazardous materials, and also needs an export permit from South Africa's Department of Minerals and Energy (DME), which is renewable quarterly. The DME permit is relatively inexpensive and is issued with a minimum of delay and in this sense is not a costly NTB. Yet this may change. The DME uses mineral fuel export permits to ensure that South Africa's fuel needs are met before any fuel is exported. Thus, for example, there is currently a shortage within South Africa of liquefied petroleum gas, and so the DME is not issuing any export licences for the product. As South Africa's economy continues to grow, and domestic demand for mineral fuels rises accordingly, industry analysts are forecasting that the country's spare refining capacity will shrink dramatically, implying that the DME's export permits will become an increasingly restrictive NTB on Sasol Oil's export of fuel to Zimbabwe and elsewhere in the region.

Table 6: NTBs ranked by cost faced by Zimbabwean fuel importers

Position	NTB	Type
1	Zimbabwean foreign exchange controls	Trade policy
2	Zimbabwean price controls	Administrative
3	Zimbabwean fuel levies	Administrative
4	Delays at Beit Bridge	Administrative

Zimbabwean fuel importers face a range of additional NTBs when bringing in their product from South Africa. As indicated above, the main NTB is trade policy-related, manifesting itself as the difficulty they have sourcing the foreign exchange to make their purchases. Another trade policy NTB was price controls on fuel.[40] At the time of research,[41] ordinary vehicle petrol was supposed by law to retail in Zimbabwe at Z$350/litre, which was US$1.40/litre at the official exchange rate of Z$250:US$1, but less than US$0.01/litre at the then-current parallel exchange rate of Z$48,000:US$1. If fuel importers were accessing all their foreign exchange from the Reserve Bank at official rates, they could have lived with this price, but since most of their foreign exchange apparently came from elsewhere, they could not afford to retail petrol for the prescribed amount. Instead, petrol retailers were meeting weekly and agreeing a selling price, around Z$29,000/litre in

40 The information that follows comes from a telephone interview with a leading mineral fuels importer in Harare, 16 May 2007.
41 Mid-2007.

mid-June 2007. Although illegal, the authorities allowed this to continue so as to ensure fuel remains available in the country. Thus, at the time of research, the costs of fuel price controls were insignificant, because these controls were not enforced. The situation, however, was unpredictable and subject to sudden — and costly — change.

Fuel import permits are available only in Harare, which is inconvenient and costly for importers operating outside the capital, but importers' report that the permits are issued quickly, efficiently and free of charge. In addition, there are a range of other administrative NTBs in the form of duties levied on fuel trucks entering the country, including a 5% tax on the value of the load, a road levy of Z$8.95/litre for petrol and Z$9.08/litre for diesel, and a bond levy on both of Z$0.01/litre. Then there is a carbon tax of ZS$100/litre, a health tax of Z$18,000/truck, a Noczim levy of Z$60/litre, a customs fee of Z$4,550/truck and a clearing agent's fee of approximately Z$1m/truck. Fuel importers pass on all these costs to consumers in the form of higher prices. Paying all these levies takes time, but fuel importers report that as long as all their paperwork is in order, their trucks rarely experience significant delays at the Beit Bridge border crossing.

6.3 South African vehicle exports to Zimbabwe

Africa has been the main export destination for South African medium and heavy commercial vehicles since 1995, and it was also for a brief period in the late 1990s the main export destination too for South African passenger cars and light commercial vehicles.[42] Zimbabwe has two of its own vehicle assembling plants, one making Mitsubishi and Peugeot models, and the other making Mazdas. The state has a share in the latter assembly plant, which is the reason why most government vehicles are Mazdas. Mazdas in particular used to be cheaper than comparable imported models, because the vehicle assembly kits are imported duty free, thus making the duties on imported vehicles an NTB, but the price difference is said to have since lessened to near zero due to ongoing hyperinflation in the country.

Table 7: NTBs ranked by cost faced by Zimbabwean vehicle importers from South Africa

Position	NTB	Type
1	Zimbabwean foreign exchange controls	Trade policy
2	South African ban on road use for second-hand vehicles	Trade policy
3	Delays at Beit Bridge	Administrative

42 Automotive Industry Export Council, *Automotive Export Manual 2007*. Pretoria: Automotive Industry Export Council, 2007, p.20.

As in the previous sectors under discussion, the most expensive NTBs facing imported vehicle dealers in Zimbabwe relate to foreign exchange controls. The main exchange control for vehicle importers is the requirement that all import duties for vehicles, except single-cab bakkies (light pickup trucks) and minibuses, should be payable in foreign exchange instead of, as previously, in local currency. The new rule, introduced on 5 April 2007, immediately pushed up prices for affected vehicles, and significantly dampened demand.[43] Vehicle import duties are 40% of the value, plus 15% value added tax and a further 15% surtax, all payable at the port of entry. Another costly exchange control NTB for imported vehicle dealers is that because their goods are designated luxuries, the dealers have no access to foreign exchange from the Zimbabwe Reserve Bank. This means dealers cannot import vehicles, display them in their showrooms and then sell them (except those categories for which duties are still payable in Zimbabwe dollars), but must instead only import vehicles once customers have paid in advance, in foreign exchange and in full. This too dampens demand.

A costly NTB imposed by the South African authorities on the import into Zimbabwe and the rest of SADC of second-hand vehicles from the Middle and Far East via South Africa is the banning of these vehicles from travelling on South African roads *en route* to their destinations north of the South African border. According to the law, the vehicles must instead travel on either carrier trucks or cargo trains. The ban was initially introduced by South Africa in 2005, but was contested in the South African courts by clearing and shipping agents, and its implementation was suspended. However, in April 2007 the South African Supreme Court upheld the ban and implementation was restored.[44] The ban has been justified by the South African authorities as necessary to protect its road network and to make it harder for those purchasing imported second-hand vehicles in Durban ostensibly for export to retail them instead in South Africa. The imported second-hand vehicles typically retail for less than half the going rate for equivalent South African-manufactured second-hand vehicles, and, according to industry sources, about one-third of them, while purportedly destined for neighbouring countries, end up staying in South Africa. The ban can thus be understood as an NTB intended to protect the South African vehicle manufacturing industry. Transporting the imported vehicles to Zimbabwe and beyond by carrier truck typically adds US$700 to the cost of the vehicle. In addition, the new requirement makes it much harder for small operators, who previously would typically take public transport from Zimbabwe, Zambia and beyond to Durban, buy a vehicle and drive it back, to remain in business.[45]

43 Telephone interview with imported vehicle dealer, Harare, 23 May 2007.
44 *Mail & Guardian*, 25 May 2007.
45 Interviews with second-hand car dealers, Lusaka and Lubumbashi, 2006.

6.4 South African steel exports to Zimbabwe

SARS statistics show iron and steel to be South Africa's fourth most important export to Zimbabwe, and indicate a small Zimbabwean iron and steel export to South Africa.[46] Zimbabwe has one steel mill, with a production capacity of 700,000 tons/year. Output has, however, plummeted in recent years, and in mid-2007 was estimated at just 60,000 tons/year. The decline has forced Zimbabwe to increase its steel imports from South Africa, though the country's economic difficulties have pushed down its overall demand for steel. The main South African steel exporter to Zimbabwe is Macsteel, which is part of the international Mittal Steel group.

Table 8: NTBs ranked by cost faced by South African iron and steel exporters to Zimbabwe

Position	NTB	Type
1	Zimbabwean foreign exchange controls	Trade policy

The company has reported that the documentation required for it to export to Zimbabwe, and for Zimbabwean importers to import is not particularly onerous, and is more or less the same as anywhere in the world. The main NTB facing Macsteel in exporting to Zimbabwe has rather been the immense difficulty clients have in sourcing foreign exchange, to the extent that from Macsteel's point of view, steel exports to the country appear to be 'now a forex trade rather than a commodity trade'.[47]

6.5 Zimbabwean cotton exports to South Africa

Zimbabwean cotton exports to South Africa were worth R247m (US$38m) in 2005 and R253m (US$39m) in 2006 (January–November) according to SARS statistics (see table 1). The main Zimbabwean cotton exporter to South Africa is The Cotton Company (Cotco), which in 2006 exported 7,400 tons of cotton.

Table 9: NTBs ranked by cost faced by Zimbabwean cotton exporters to South Africa

Position	NTB	Type
1	Zimbabwean foreign exchange controls	Trade policy
2	Delays at Beit Bridge	Administrative
3	South African SPS requirements	Health, safety and environment

46 See table 1.
47 Telephone interview with a representative of Macsteel, Johannesburg, 22 May 2007.

Cotco reported that its product is exported to South Africa duty free, and with no import licences or quotas imposed by the South African authorities. There are also no export taxes payable to the Zimbabwean government. The most costly NTB reported by Cotco was the requirement from the Zimbabwean authorities that it remit 40% of its foreign exchange earnings at the official exchange rate. As with other exporters, this translates into an effective 40% export tax, because of the extreme lack of correlation between the official and real exchange rates.

The second most costly NTB for Cotco was administrative delay at Beit Bridge. Of lesser concern are the SPS certificates required by the South African authorities, which can take time to obtain, but which Cotco nonetheless readily concedes are entirely justified.[48]

6.6 Zimbabwean tobacco exports to South Africa

Zimbabwean tobacco exports to South Africa were worth R117m (US$18m) in 2005 and R111.2m (US$17m) in 2006 (January–November), according to SARS figures (see table 1). From January to April 2007, Zimbabwe exported 3,648 tons of tobacco to South Africa, 13% of its tobacco export total. South Africa was Zimbabwe's second main tobacco export destination, second only to China.[49]

South Africa is also a tobacco producer, theoretically making it possible to establish the cost of NTBs in the two countries' bilateral tobacco trade by comparing prices. However, South Africa does not produce the same kind of tobacco as Zimbabwe. Indeed, the only other countries that do produce the same leaf as Zimbabwe are Zambia, in small quantities, and Brazil.

Table 10: NTBs ranked by cost faced by Zimbabwean tobacco exporters to South Africa

Position	NTB	Type
1	Zimbabwean foreign exchange controls	Trade policy
2	High regional transport costs	Administrative
3	South African SPS requirements	Health, safety and environment
4	Delays at Beit Bridge	Administrative

The most costly NTB facing Zimbabwean tobacco exporters is the trade policy requirement that they remit 25% of their foreign exchange earnings at the official exchange rate. This is a lower percentage than is required of most exporters, but it is extremely onerous nonetheless, and severely compromises the exporters' profitability.[50]

48 E-mail communication with Cotco, 5 June 2007.
49 Zimbabwe Tobacco Industry and Marketing Board statistics, May 2007.
50 This and the following information are taken from a telephone interview with Zimbabwean tobacco company export manager, Harare, 21 May 2007.

The second most expensive NTB for Zimbabwean tobacco exporters is the extra transport costs they incur when moving their goods by road, rather than by rail, which should in theory be much cheaper. However, like other traders in the region, tobacco exporters report huge problems with delays and theft on the rail network.

The third most costly NTB for Zimbabwean tobacco exporters is obtaining all the documentation required to allow their product into South Africa. The main requirements are certificates of origin, fumigation certificates and SPS certificates. The exporters do not dispute the necessity of these requirements, but bemoan the time it takes to acquire them in Zimbabwe.

The fourth most costly NTB is administrative delay at Beit Bridge. SARS concedes that trucks carrying tobacco from Zimbabwe are among the most thoroughly inspected by its officers at Beit Bridge. This is because of the hefty amount of excise duty payable on tobacco in South Africa (as elsewhere in the world), creating a powerful incentive for smuggling and under-invoicing.[51]

6.7 Zimbabwean manufacturing exports to South Africa

Despite its economic woes, Zimbabwe still boasts one of the most developed manufacturing sectors on the continent, and the country continues to export manufactured goods to South Africa and the world.

Table 11: NTBs ranked by cost faced by Zimbabwean manufacturing exporters to South Africa

Position	NTB	Type
1	Zimbabwean foreign exchange controls	Trade policy
2	Delays at Beit Bridge	Administrative
3	South African two-stage conversion requirement (textiles only)	Trade policy

For Zimbabwean manufacturing exporters, the main NTBs they face are, as in all the other sectors discussed here, Zimbabwe's foreign exchange controls. Unlike nickel and tobacco exporters, who remit only 25% of their foreign exchange earnings at the official rate, manufacturing exporters, like

51 Interview with SARS consultant, op. cit.

cotton exporters, are required to remit a punitive 40% of their earnings at the official rate.[52] Another foreign exchange control NTB faced by Zimbabwean manufacturing exporters is their difficulty in sourcing foreign exchange for imports. The official channel (described in sub-section 6.1) is slow and rarely meets their needs, while alternative channels are illegal and expensive.

Most Zimbabwean manufacturers contacted for this study reported expensive delays at times for their goods at Beit Bridge. While these delays are seen as costly and undesirable, such is the extent of the problems stemming from foreign exchange controls that they are currently less of a concern.

Zimbabwean manufacturing exporters to South Africa do not in general appear to experience trade policy NTBs from the South African government. Yet the textile industry is, arguably, an exception. Zimbabwean textiles are imported to South Africa duty and quota free, provided they are two-stage conversions. This means the fabric must be manufactured in Zimbabwe and has been cut, sown and trimmed (CST) there too. For most of the rest of SADC, the South African authorities require only a one-stage conversion, meaning the fabric can come from anywhere, but the CST process must take place in-country. The South African government argues the two-stage conversion requirement for Zimbabwean textiles is fair, with the Department of Trade and Industry (DTI) claiming its documentary requirements are the same as those of the European Union. The Zimbabwean government and textile industry see the matter differently, however, claiming South African documentation requirements are excessively onerous and constitute an NTB. The matter is being debated within SADC, which may be moving towards acceptance of one-stage conversion throughout the trade bloc, though this is — unsurprisingly — opposed by the South African textiles industry.[53]

7. Conclusion

The study has preliminarily identified the most costly NTBs affecting the most economically important goods traded between Zimbabwe and South Africa. In every instance considered, the most costly NTB was reported to be **Zimbabwe's foreign exchange controls**, a trade policy NTB that clearly has expensive and wide-ranging negative impacts on trade and traders. After Zimbabwe's foreign exchange controls, the second most expensive NTB in most of the sectors under consideration was **excessively high freight and transport costs** generated by lack of capacity and unreliable, theft-prone service on the regional rail network, classified as an

52 This and the following information all comes from telephone interviews with Zimbabwean manufacturing exporters, May 2007.
53 Telephone interview with DTI official, Pretoria, 22 May 2007.

administrative NTB by SADC. The other NTB most widely identified as a significant cost was **administrative delay at Beit Bridge**. Beyond this, specific sectors had concerns with Zimbabwean price controls, Zimbabwean rules about what constitutes an import of goods or services, South African controls on vehicle re-exports, South African two-stage conversion requirements for Zimbabwean textiles and South African SPS requirements.

One interesting aspect is that in none of the sectors expressed much concern about the kind of NTBs that the proposed new SADC NTB reporting mechanism is designed to redress. The proposed mechanism appears designed to assist regional exporters exporting within SADC, who wish to challenge the alleged unfair advantage gained by competitors through an NTB. Yet in the sectors examined here, which cover most of the most valuable goods and commodities traded bilaterally between South Africa and Zimbabwe, there is a distinct lack of domestic competition in most instances. Zimbabwe's tobacco does not compete with South Africa's, nor does its nickel, while oil refined in South Africa and steel manufactured there have no Zimbabwean competition. The main exception is in the vehicle sector, where Zimbabwean manufacturers compete for the domestic market with South African imports, and also benefit from a trade policy NTB in the form of duty-free imports. However, the impact of this advantage has been much diminished by the collapse in the Zimbabwean currency, and it is no longer a significant factor determining Zimbabwean consumer choices in purchasing vehicles.

Another important exception is the general manufactured goods sector, where Zimbabwe exports to South Africa a limited range of products that are also manufactured domestically. While none of the Zimbabwean manufacturing exporters contacted said he/she encountered significant NTBs benefitting South African competitors, it is quite possible that some of these NTBs exist nonetheless, and it is probably here that the proposed SADC NTB Annex will have its most beneficial impact.

What then can be done to reduce the impact of the NTBs identified in this study? It may be that there is little SADC can currently do to influence Zimbabwean policy regarding foreign exchange controls. Yet it remains the case that the costs to business and to regional trade of these controls appear to dwarf the impacts of any other NTB, suggesting that Zimbabwean trade and economic policy reform could have a substantial positive impact on intra-SADC trade.

It is unfortunate that Transnet chose not to contribute to this study, either by giving any information about the current state of regional rail transport or providing any insight into its future plans. The

understanding of the business sector, meanwhile, is that the limited and unsatisfactory regional rail service that is currently available is due to diminish further. If this is indeed correct, the effect will be to push still more transport onto roads, despite the expense, with the result that this administrative NTB will become even costlier to business in SADC. Yet it is surely in SADC's interest in its pursuit of increasing intra-SADC trade — let alone the interests of regional rail networks — that regional rail capacity rise rather than fall. Capacity should instead be boosted, and efforts made to improve efficiency and reduce theft on the network, to enable a higher percentage of freight to use the rail network, saving traders money, reducing damage on roads and reducing the negative environmental impact of freight movement.

It is thus encouraging that Transnet Port Terminals says it intends moving more cargo onto rail through the introduction of three scheduled trains a day from the Durban Port to Gauteng. Transnet Port Terminals appears to be adopting a proactive approach to reducing delays, and therefore the administrative NTB of excessive freight costs, at Durban Port, though there is still a long way to go.[54]

Delays at Beit Bridge may not have been the most costly NTB affecting Zimbabwe and South Africa's bilateral trade, but they are expensive nonetheless, and there appears to be widespread consensus that the delays should be reduced. The FESARTA research discussed in this study helps to identify what currently is taking all the time for trucks at this border crossing, but it is unfortunate that it appears so at odds with SARS's own data on the matter. Perhaps it would be helpful in the future if SARS shared its data on current border crossing times for commercial vehicles at Beit Bridge, which could form the basis for future discussions about how to improve the workings of the border crossing.

In the meantime, it appears that SARS has plenty of ideas about how to streamline customs administration at Beit Bridge and other South African border crossings, primarily through using advances in information technology to facilitate pre-clearance. As discussed earlier, the extension of single administrative documentation seems set to reduce administrative NTBs at Beit Bridge and elsewhere in SADC, and should be strongly supported. To speed up pre-clearance further, SADC countries should harmonise their customs and excise software, and this should be a priority decision for SADC trade ministers.[55]

54 See section 5.
55 See section 3.

For all these planned reforms at Beit Bridge, the stark fact remains that more and more north–south corridor freight seems set to divert from Beit Bridge and use Groblers Bridge and other minor crossings. This is because transporters who have a choice are trying to avoid Zimbabwe. They are doing so because of the administrative NTBs they encounter there, which include a significant number of fines and levies,[56] and because of the shortage of diesel, which is due to price controls, and may thus be seen as a trade policy NTB.

It might be argued that because of the extremity of Zimbabwe's economic woes, it is not a 'typical' SADC country, and that therefore the findings of a study focused on NTBs to its bilateral trade with South Africa will have little bearing on the overall SADC picture. Yet this invites one asking the question, what is a typical SADC country? Is it South Africa, with a GDP equal in size to the rest of the continent south of the Sahara, or Angola, with its economy based almost entirely on oil and diamonds, or Lesotho, which earns most of its foreign exchange from worker remittances? Is Botswana, which has long been held as the most stable democracy in Africa, a typical SADC state, or is the DRC, one of the world's most dysfunctional states? The truth, surely, is that there is no typical SADC country. In the absence of typicality, it seems reasonable to begin investigations into the cost of NTBs in the region with a study of their impact on SADC's biggest bilateral trade relationship, which is still that of South Africa and Zimbabwe, despite the latter's sorry economic state.

It may be thought that many of the NTB issues flagged in this study apply only to South Africa and Zimbabwe's trade relationship, but they do not. The diversion of trucks that used to pass through Zimbabwe and now use alternate routes offers some proof of that. Furthermore, Zimbabwe trades not just with South Africa, but every other SADC country as well, and it seems highly likely that the same NTBs as have been identified here will be pushing up the cost of doing business there too.

It is, however, probable that the cost ranking of NTBs obstructing trade between South Africa and other SADC countries will be different from those obstructing South Africa's Zimbabwe bilateral trade. The likelihood is that in the absence of exchange controls and the like, the relative importance of excessively high transport costs and administrative delays at Beit Bridge will rise. This hunch should, however, be tested. To gain a SADC-wide understanding of the cost of NTBs, further research is required, extending the geographical and sectoral coverage of this study, and exploring new directions. One new direction should be the efficacy of SADC's NTB reporting mechanisms, and whether these are indeed of much interest to business within SADC. Another important

56 See sub-section 6.2.

research topic is the impact of NTBs on small and micro businesses, and current attempts to remove such NTBs, particularly in the informal sector. In addition, FESARTA's pioneering work in measuring the time it takes to clear commercial vehicles through Beit Bridge should be repeated with greater methodological vigour, and extended to other border crossings, as is already happening at Chirundu.

It will always be harder to measure NTBs then to measure tariffs, and in attempting to do so, statistical precision will almost always be frustratingly absent. Yet, as it is hoped this study demonstrates, useful results can still be obtained by adopting a broad understanding of cost and a diversity of research methods, and maintaining a focus on the cost of NTBs to business, rather than their much harder-to-gauge impact on the economy as a whole.