Non-tariff Barriers to Trade in Southern Africa – Towards a Measurement Approach

Draft Terms of reference

Background:

Liberalization of goods trade has enjoyed substantial advances in Southern Africa in recent years, notably through the SADC and COMESA free trade agreements (FTAs). Notwithstanding ongoing problems with rules of origin pertaining to tariff concessions, tariff rates have been reduced substantially and processes established to liberalize and/or harmonize services trade and associated regulations. Yet major obstacles to the actual conduct of trade remain. Both SADC and COMESA have recognised this and established processes to address non-tariff barriers (NTBs). Key to the success of those processes is identifying the most problematic NTBs, and establishing institutions to effectively dismantle these barriers where appropriate. This project is intended to contribute towards achieving that objective.

Issues:

In late 2006 SAIIA initiated analysis of these issues through a pilot-study of South Africa-Zimbabwe trade via the Beit Bridge border post – the busiest border in Southern Africa. That study revealed the difficulty of measuring the cost of NTBs to economies, opting instead to catalogue NTBs for the four major product groups traded bilaterally. This methodology revealed a host of NTBs, but not those traditionally thought of as NTBs. The latter are generally associated with border procedures and regulations, including *inter alia*: customs, health, immigration, security, and technical standards. Our study revealed that if the definition of NTB is broadened to include "trade policy barriers"[1] then a new world of regulatory obstacles to the conduct of trade is opened up.

Yet the complexity of problems surrounding Zimbabwe's economic and political trajectory are unique. In an effort to quantify these expansive NTB's, we propose to expand the pilot-study to the case of South Africa-Botswana trade, leaving the precise choice of corridor, border post and product groups to be delimited at our August 29th workshop with the Business Unity South Africa (BUSA) trade committee.

Furthermore, the study will be centered on the implications of NTBs for South African companies' supply chains. Hence this analysis will draw on the "supplychainforesight" study by Barloworld Logistics[2], which established that major South African corporations are lagging behind in both their understanding of supply-chain management in general and consequently management of their own supply chains. This has substantial implications for their competitiveness in a fast-moving global economy. Our particular interest is in highlighting the impact that NTBs have on supply-chains, as opposed to individual companies, in order to reinforce the importance of systemic thinking (dismantling barriers to trade) as the basis for competing internationally.

<u>Methodology:</u>

The study will focus on one particular corridor, to be identified during and after the NTBs workshop with BUSA referred to above. The following broad questions (to be refined at the workshop) will guide the research:

1. What are the companies concerned sourcing from the region that could be amenable to cost reductions and greater efficiencies if NTBs were ameliorated? This points to a broader focus than purely bilateral (ie Botswana-SA) as South Africa sources other commodities from the region that traverse Botswana (for example, beef from Namibia).
2. How important are those inputs when measured against their overall supply-chain costs, and as inputs into broader supply-chains (ie companies they might do business with using the original input in some form)? The Barloworld study shows that most big SA companies interviewed do not cost their supply chains; this research is intended to assist in that direction.
3. What do they export into the region that could be delivered more efficiently and cheaply?

Research will consist of a combination of desktop analysis and interviews with relevant government officials and business groups, plus first-hand

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[1] These include but are not restricted to:-exchange controls, road user charges, carbon tax/environmental levies, extended fuel tank levies, variances in axle loads between countries converting to penalties on transport, differing country bond requirements serving as additional cost penalties, third party compulsory fees for document processing (customs), previously zero rated goods attracting new taxes, etc.

[2] Barloworld Logistics (2006) *supplychainforesight survey*.

observations of procedures involved in moving goods across the selected border post(s).

<u>Outputs</u>

1 trade policy report; one scoping workshop.