

**Regional Activity to Promote Integration
Through Dialogue and Policy
Implementation (RAPID)**



RAPID Task Order 2.2 Activity

**Analysis of Tariff Reduction Offers
for the SADC Trade Protocol**

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1. Introduction

This paper attempts to provide a preview of the contents of the offers tabled by participating SADC Member States. As the offers are yet to be finalized the paper also indicates areas where further cleaning up needs to be done to the offers.

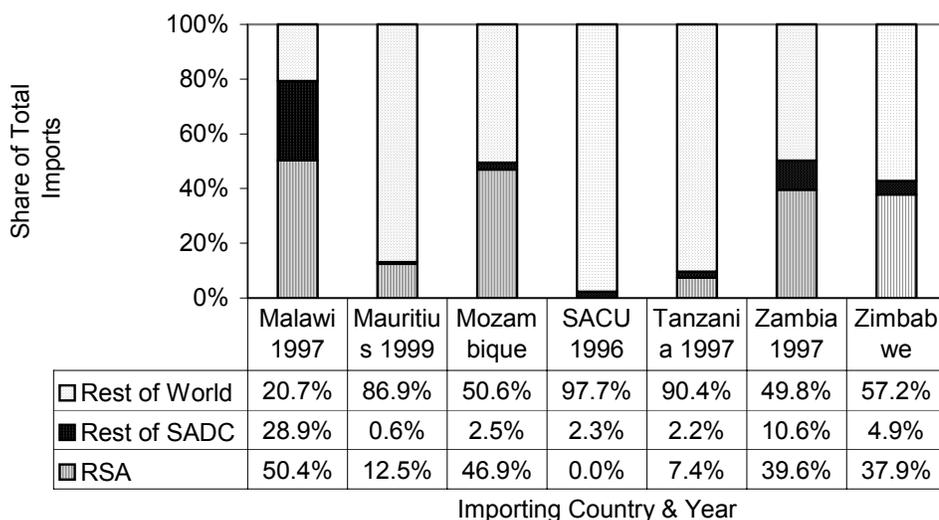
For most countries the analysis was based on the offers that were current during the August 2000 TNF (Mauritius). Malawi, Zimbabwe and SACU provided revised offers subsequent to this that were also used in the analysis. The analysis undertaken is mainly a descriptive characterization of the offers and mostly dwells on the structure of the offers.

2. Imports Into SADC

Figure 1 shows that intra-SADC trade is quite significant, although it is heavily skewed in favour of RSA, which accounts for a substantial proportion of imports into Malawi, Mozambique, Zambia and Zimbabwe. Imports from Rest Of SADC (excluding RSA) into SADC are rather low. The largest importers from the Rest of SADC are Malawi (28.9% of its total imports) and Zambia (10.6%), while imports from Rest of SADC into the remaining SADC countries account for less than 5% of each country's total imports.

Countries importing the least from the SADC region (or the most from the Rest of the World) are SACU (2.3% of its total imports), Tanzania (9.6%) and Mauritius (13,1%).

Figure 1 Origin of Imports Into SADC



3. Structure of Offers

Figures 2a and 2b below show the respective shares of each country's imports from SADC grouped by category. The key features that can be observed from these figures are:

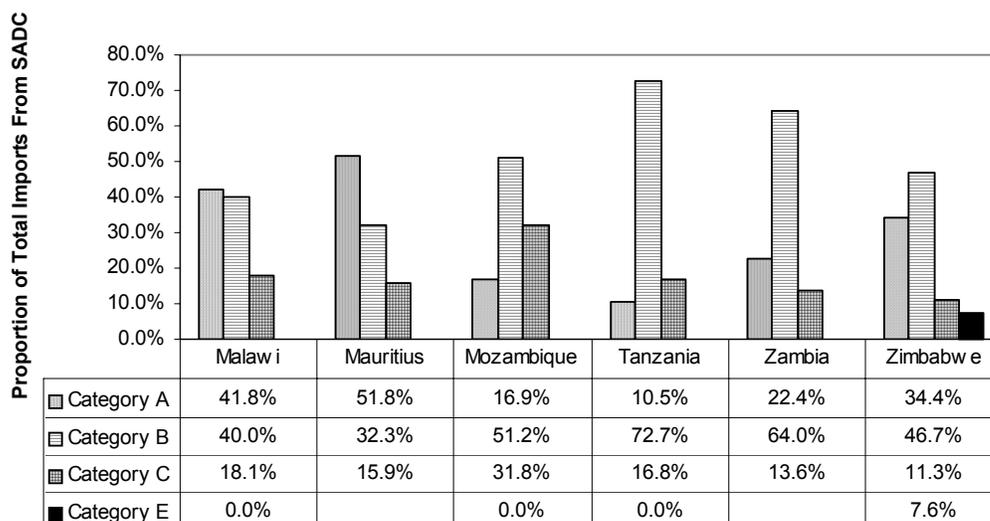
Offers to RSA:

- Category B accounts for the bulk of non-SACU countries' SADC imports (excluding Mauritius and Malawi. Malawi's Categories A and B are almost equal.)
- Category A accounts for about half of Mauritius' imports from SADC.
- Almost all countries' offers failed to cover substantial SADC trade, i.e., combined Categories C and E for all countries are above the agreed 15% of total SADC trade, except for Zambia which is slightly underestimated as its Cat E (only Chp 93) is yet to be incorporated into the offer. Category C for Mozambique is more than double the 15% limit.
- Apart from Zimbabwe, Category E accounts for an insignificant proportion of each country's imports from SADC.

Offer to Rest of SADC:

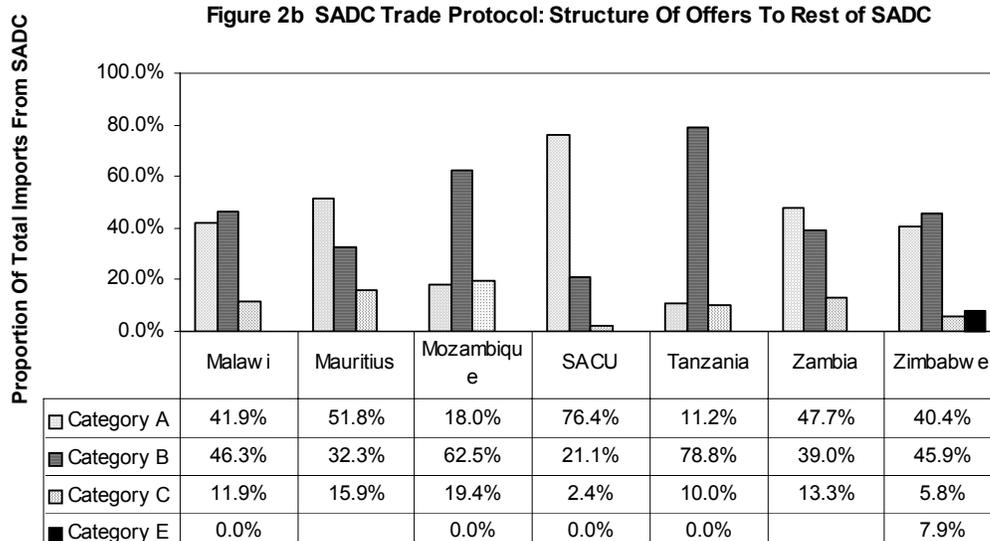
- Mauritius, SACU and Zambia placed the bulk of their SADC imports on category A while category B is largest for Malawi, Mozambique, Tanzania and Zimbabwe.
- A little over three-quarters of SACU's SADC imports are earmarked for immediate liberalization. It should be noted that this does not necessarily imply that market access into SACU will be improved by the same magnitude as there are other important factors like Rules of Origin which need to be taken into consideration that are not part of this analysis.
- Most countries, except Mozambique and Mauritius, managed to cover over 85% of their SADC trade in categories A and B.
- Apart from Zimbabwe, Category E accounts for an insignificant proportion of each country's imports from SADC.

Figure 2a SADC Trade Protocol: Structure Of Offers To RSA



NB Some products on category A were already trading duty free prior to the Protocol.

Figure 2b SADC Trade Protocol: Structure Of Offers To Rest of SADC



NB Some products on category A were already trading duty free prior to the Protocol.

4. MFN Base Rate Tariff Structures

Mauritius, SACU and Zimbabwe opted to vary the MFN base tariff rates (from which tariff reductions are effected) from the agreed rates that applied in July 1998 to 1999 (Mauritius) and 2000 (SACU and Zimbabwe). While this is in most cases advantageous to other SADC countries, as tariff rates have generally been lowered, there are still a number of isolated cases where tariffs have actually been increased. In such cases, it should be noted that some of these countries have indicated a willingness to effect tariff reductions from rates that applied in July 1998.

Table 1: SADC MFN Tariff Base Rate Structures

Country	Ad Valorem MFN Tariff Rates		No. Of Different Specific Duty Rates
	Number of Different Rates	Range	
Malawi	7	0%-30%	None
Mauritius	9	0%-80%	None
Mozambique	5	0%-35%	None
SACU	28	0%-243%	22
Tanzania	5	0%-30%	None
Zambia	4	0%-25%	None
Zimbabwe	15	0%-100%	17

Source: Offers

Table 1 shows that the more developed SADC countries have the highest range between the maximum and minimum tariffs and more complex tariff structures, while the least developed countries had lower duties and simpler tariff and structures. SACU and Zimbabwe are yet to convert all specific duties to the more transparent ad valorem rates as they had been urged to do during negotiations.

Trade weighted average tariff rates covering the entire tariff phase in period, shown in Table 2, reveal that Mauritius and Zimbabwe propose to consistently maintain the highest average duties within SADC, while SACU has the lowest tariffs. Despite having a not so high maximum MFN base tariff rate of 30%, Tanzania exhibits high weighted average tariff rates (within the same ranges as those of Mauritius and Zimbabwe.) This is mainly due to the fact that in 1998, 61.6% of products on Tanzania's offer attracted the maximum duty rate of 30%, with the same products accounting for 44% of Tanzania's imports from SADC.

Table 2 also shows that average tariff rates for all countries other than SACU decline rather slowly between 2000 and 2004 and only start to fall significantly from 2005 and 2006, implying that no significant effects of the Protocol will be felt until then.

Apart from Mauritius, all SADC countries propose to reduce the tariffs that will apply to Rest of SADC faster than those to RSA. However, despite the differentiation of offers there are no significant differences in the average tariff rates that will apply to the RSA and the Rest of SADC (with the exception of Mauritius and Zambia).

Table 2: SADC Trade Protocol: Trade Weighted Average Tariff Rates

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Zimbabwe															
Zim Offer To Rest Of SADC	200%	183%	178%	161%	141%	119%	100%	85%	72%	68%	63%	60%			
Zim Offer To RSA (Revised)	195%	186%	186%	175%	154%	126%	108%	91%	72%	62%	52%	43%			
SACU	52%	51%	40%	30%	22%	15%	09%	01%	01%	00%	0%				
Malawi															
Malawi Offer To Rest Of SADC		89%	89%	70%	55%	40%	33%	23%	23%	16%	12%	07%	00%		
Malawi Offer To RSA		93%	93%	93%	92%	79%	64%	54%	32%	22%	16%	11%	00%		
Zambia															
Zambia Offer To Rest Of SADC	98%	98%	88%	70%	61%	43%	24%	24%	24%	19%	13%	07%	00%		
Zambia Offer To RSA	121%	121%	113%	113%	105%	91%	75%	61%	51%	21%	13%	07%	00%		
Tanzania															
Tanzania Offer To Rest Of SADC		194%	194%	158%	131%	101%	73%	54%	20%	15%	10%	05%	00%		
Tanzania Offer To RSA		190%	190%	190%	176%	153%	130%	86%	34%	26%	17%	09%	00%		
Mauritius															
Mauritius Offer To Rest Of SADC	220%	211%	202%	194%	185%	176%	176%	176%	141%	106%	70%	35%	00%		
Mauritius Offer To RSA	157%	157%	157%	134%	115%	96%	77%	58%	46%	35%	23%	12%	00%		
Mozambique															
Mozambique Offer To Rest Of SADC	99%	99%	90%	90%	90%	80%	52%	21%	18%	15%	10%	00%			
Mozambique Offer To RSA	93%	93%	85%	85%	85%	76%	57%	35%	30%	30%	25%	20%	16%	16%	00%

NOTES:

1. Zimbabwe: Weighted averages underestimated as all products with specific duties are excluded (specific duties are generally high).
2. SACU: Weighted Averages underestimated because all products with specific duties (generally high);
Sugar and sugar products; and original Motor vehicle parts (Chp 98) are excluded.
3. These figures are preliminary as a number of countries are yet to finalise their offers.
4. 2000 tariffs not available for Malawi and Tanzania.

Source: Offers Tabled by SADC States

The slow start and pace of liberalization of tariffs alluded to above is confirmed by Figures 3a and 3b, which illustrate the rate at which products become fully liberalized (trading duty free) over the tariff reduction period.

Figure 3a SADC Trade Protocol Offers To RSA: Products Fully Liberalised

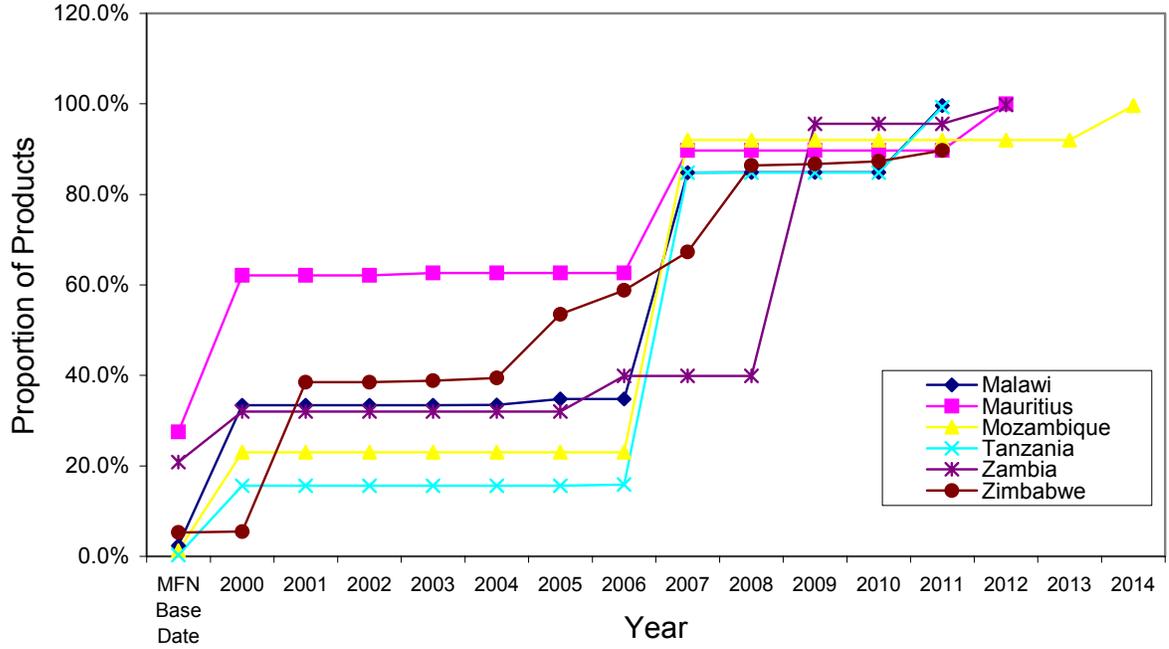
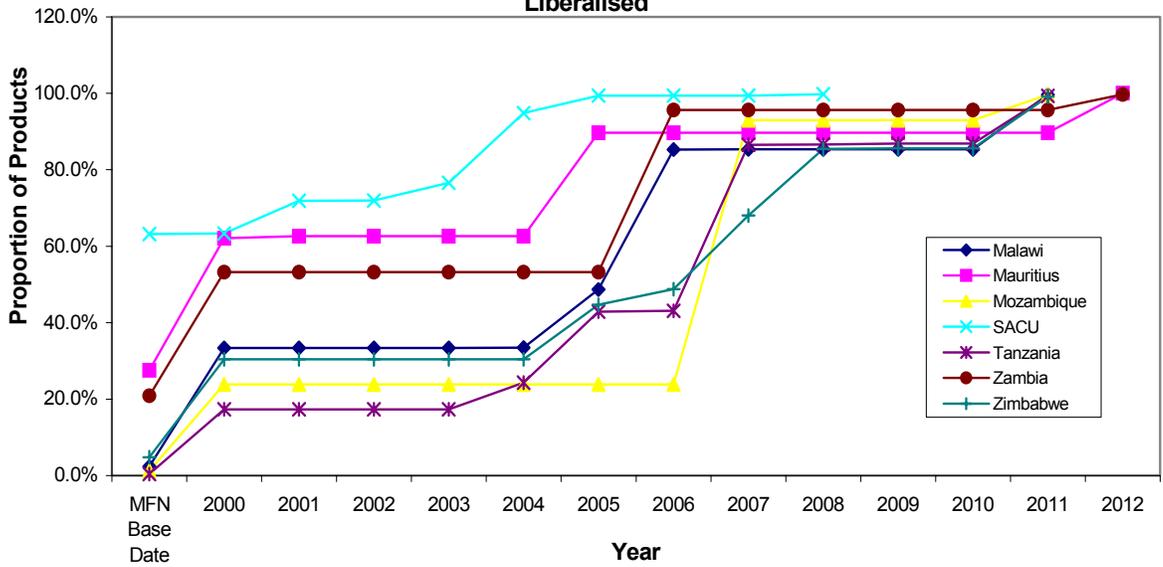


Figure 3b SADC Trade Protocol Offers To Rest of SADC: Products Fully Liberalised



5. Cleaning Up of Offers

During the process of analyzing offers a number of problems were observed which we believe member states need to take into consideration in their endeavours to clean those offers up. Cited below are some of the problems that were frequently observed.

5.1 Poor Quality of Trade Statistics

Inconsistencies in import statistics were observed in almost all offers, whereby imports originating from some countries were either underestimated or overestimated. Typical examples of this problem include cases where for some products the offers show negative import figures for some countries. (These are surely not exports?) This problem mainly arose from difficulties encountered in breaking down aggregated import figures to show the individual countries of origin. The problem was evident in instances where:

- The sum of imports from individual SADC countries exceeded the total imports from the whole of SADC.
- Total imports from SADC were greater than total imports from the whole world.
- There are no imports indicated from the whole world but trade is indicated under SADC.
- There are no imports indicated from the whole SADC region but trade is indicated for individual SADC countries.

Other data-related problems observed include the failure by some member countries to indicate in their offers the dates (year) to which the data apply; the currency being used; and whether the data are in absolute terms or have been rounded off.

Member countries are urged to invest some time in rectifying any data problems that may exist in their offers. The main reason why this should be done is that member states will be better equipped to make sound decisions based on more accurate information.

5.2 Offers not conforming to formats and parameters agreed in the TNF

Cited below are some examples of this problem:

- Some member states' offers do not indicate that substantial trade will be fully liberalized by the end of the first 8 years of implementing the protocol. It is our understanding that the TNF agreed that sensitive and excluded products when combined should comprise about 15% of total imports for non-SACU countries and 3% for SACU. However, as shown in Figures 2a and 2b a number of non-SACU countries' offers exceed the 15% limit, some substantially.
- Variation of MFN tariff base date
Three member states opted to vary the dates from which tariff reductions will be effected, from July 1998 to 1999 and 2000. This should be acceptable as long as all the tariffs proposed to apply in the first year (and beyond) of implementation are equal to or less than those that applied in July 1998. However, this does not seem to be the case with all

offers concerned, although there are positive indications from one of the member states that all the deviant tariffs will be reduced to the July 1998 levels.

- **Incomplete offers**

In one case the offer from a member state does not incorporate any trade statistics at all, while in another the imports data are not broken-down to show imports coming from individual SADC states.

- In one case a member state proposes to eliminate tariffs for sensitive products over a period in excess of the agreed 12 years.

- **Specific duties**

Two member states still have specific duties in their offers, some of which will be retained throughout the 12 year tariff elimination period.

5.3 Omissions

There are several cases of missing tariff lines and one case where some products earmarked for exclusion are not incorporated into the offer. One offer does not disclose MFN tariff rates for some products.

5.4 Products appearing under inappropriate categories

There are many cases of products appearing under inappropriate categories. This is a common problem in cases where products were at some stage reclassified from one category to another. Examples of such cases include instances where products indicated as being, for example:

- Category A having products with tariffs greater than 0% during the entire or part of the tariff elimination period
- Category B having products with tariffs being earmarked for immediate elimination
- Category C products having tariffs eliminated within 8 years; and etc

6. Typographic errors

Though minor, there are many such errors. These include:

- Negative tariff rates
- Products whose duties have been eliminated, including those on category A suddenly having tariffs greater than 0% later in the phase down period
- Imports statistics typed in as percentages

7. Varying Interpretations of the tariff elimination period

Depending on how a Member State interprets when the 8-year and 12-year tariff elimination periods end (whether it is beginning or end of period), there is a 1-year discrepancy in each case. These discrepancies are evident in the offers.

8. Other Observations

In a number of cases some products on Categories C and E did not have any trade at all either from SADC or even from the whole world. A number of these products are possible candidates for reclassification to either category A or B or even C (for those on Category E), should it be established that some of these products are unlikely to be traded at all, or should any possible trade occur it is unlikely to pose any harm in the domestic economy.

There are also cases where some products on category C and E have duties being eliminated immediately reduced to 0%. Shouldn't these be placed in category A?

Is there any merit in keeping products whose trade is of no commercial value in the offers?