Zimbabwe – South Africa Trade Relations

9th Tutwa Seminar
By
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Trade Pattern

Exports Growth US$m

- SA Exports to Zim (US4m)
- Zim Exports to SA (US$m)
Few Pointers on Trade Flows

• Zim’s exports to RSA are low value minerals and agricultural commodities (tobacco, gold, platinum, nickel, raw hides)

• RSA’s exports to Zim dominated by electricity, maize, petroleum oils, soya bean oil, flat rolled iron, chemical fertilizers, soaps

• In Africa (and RoW), South Africa is #1 destination for Zim’s exports (79.4% in 2016), followed by Mozambique (9.5% in 2016)

• In Africa, Zimbabwe is #5 destination of South Africa’s exports (2.7% in 2016). The #1 is Botswana (5%), Namibia (4.8%), Mozambique (3.1%), and Zambia (2.8%)

• Falling export shares. In 2001 @ #1, 2007 @ #3, and 2016 @ #5

• Import shares from RSA: electricity (80%), soya bean oil (87%), maize (32%), motor vehicles (49%), medicaments (21%), insecticides (60%), wheat (30%), rice (21%), ceramics (90%) paperboard (93%)
Governing Trade Agreements

• South Africa- Southern Rhodesia (now Zimbabwe) Trade Agreement of 1 December 1964

• Mostly agricultural goods (wholly originating), and manufactured goods (25% local content or value addition)

• Later Amended in 1996 to include “clothing and textiles”

• SADC Protocol on Trade, with a Differentiated Offer on RSA

• Adoption of the SADC Product Specific Rules of Origin

• SADC FTA launched in August 2008;

• Zimbabwe’s application for derogation to the SADC CMT, as provided for by Article 3 (c ) of the original SADC Protocol on Trade

• RSA introduces Non-Tariff Measures on asbestos and pharmaceuticals from Zim (not acted in the spirit of solidarity)
Rising Anti-Import Bias

- Threats of Imports to Industrialisation (CZI Manufacturing Sector Reports)
- Import duty as source of Government Revenue (Treasury and ZIMRA)
- S.I 112 of 2012: introduced 25% surtax on imported chicken, eggs, beans, footwear, freezers, ovens, second hand cars (the list is long)
- Annual budgetary reviews of customs duties
- Permit system reinforced: S.I 6 of 2014 requires permit for sugar, poultry, and meat of swine
- S.I 126 of 2014: permit for powdered milk, biscuits, soaps, rubber hoses and conveyer belts, tubes and pipes
- S.I 132 of 2015 which introduced Consignment Based Conformity Assessment as pre-shipment program for a wider range of products, e.g. petroleum fuels, building products, body care creams, packaging material etc
- S.I 20 of 2016: permit for automotive batteries, candles, floor polish, tobacco twine
- S.I 64 of 2016: import permit on a wide range of consumer goods
- “With Immediate Effect”…buzzword
- Adoption of Annex X by SADC Summit 2016, Swaziland
Emerging Thinking Around National & Regional Industrialisation Policy

• SADC Industrialisation Framework
• Zimbabwe National Industrial Policy and National Trade Policy (2012-2016)
• SADC Industrialisation Strategy and Roadmap, together with the Revised RISDP

• “What is an industrial policy?”
• Regional intentions vs sovereign national development plans
At the heart of policy thinking in Zimbabwe, is protection

• “For centuries England has relied on protection, has carried it to extremes and has obtained satisfactory results from it. There is no doubt that it is to this system that it owes its present strength. After two centuries, England has found it convenient to adopt free trade because it thinks that protection can no longer offer it anything. Very well then, Gentlemen, my knowledge of our country leads me to believe that within 200 years, when America has gotten out of protection all that it can offer, it too will adopt free trade.”

Ulysses S. Grant, President of the USA, 1868-76
“Protect us from Imports in order to industrialise” ...BMOs

• Infant industry protection
• Import Substitution Industrialisation
• General slowdown in cargo movement
## BEITBRIDGE (North-South Corridor)

### TRAFFIC VOLUME AT BEITBRIDGE

<table>
<thead>
<tr>
<th>TRAFFIC</th>
<th>DAILY AVERAGES</th>
<th>MONTHLY AVERAGES</th>
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<tbody>
<tr>
<td>Heavy Vehicles (South bound)</td>
<td>270</td>
<td></td>
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<tr>
<td>Heavy Vehicles (North bound)</td>
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<td>Private Vehicles (South bound)</td>
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<tr>
<td>Private Vehicles (North bound)</td>
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<tr>
<td>Travellers (South bound)</td>
<td>300 000</td>
<td></td>
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<tr>
<td>Travellers (North bound)</td>
<td>250 000</td>
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</tbody>
</table>
Current status of cross-border transport: BEITBRIDGE

The border handles more of Break bulk cargo and generally busy during day and night.

**Daily Average Arrivals by Vehicle Type**

- Break Bulk: 46%
- Container Vehicles: 28%
- Fuel Tanker: 15%
- Light Truck: 0%
- Medium Truck: 3%
- Refrigerated: 0%
- Side Tipper: 4%
- Other GVM>3500kg: 4%

**Nightly Average Arrivals by Vehicle Type**

- Break Bulk: 47%
- Container Vehicles: 23%
- Fuel Tanker: 17%
- Light Truck: 0%
- Medium Truck: 5%
- Refrigerated: 0%
- Side Tipper: 4%
- Other GVM>3500kg: 4%
Early hours of the day are the most busy as they account for most traffic arrivals.
• It takes an average of 24 hrs for a vehicle subjected to physical examination to cross the border;

• Whilst it takes about 18hrs for a vehicle **not** subjected to physical examination to cross the border;

• Containerised vehicles and tankers are cleared faster relative to consolidated and single entry break-bulk cargo.

• Queuing time accounts for more than 60% of total time to cross the border.
Non-Tariff Barriers & Non-Tariff Measures

- Until recently, there were no widespread use of NTBs to control imports 😞: consumer protection and disease controls (shielding local industry from foreign competition)
- Cumbersome customs procedures at Beitbridge
- Frequent breakdown of ZIMRA’s ASYCUDA
- Delays in approving and issuing of import permits
- Numerous police roadblocks in Zim’s major highways
- Shortage of foreign currency in the formal market
- Plus many more (if one uses the WTO NTB Categorization)
- NTBs lead to High Transaction Costs, and this has a direct bearing on competitiveness
**Wicked Problem** Between Zim and RSA (Yes&No)

- African countries are too small to stand on their own
- Trade is a source of growth
- Trade Agreements are designed to provide predictability and certainty
- Designed to foster poverty reduction (SDGs), inclusivity and creativity
- Technical assistance and capacity building in private and public institutions
- Role of the State in the industrialisation discourse
- Power of special interests groups
- Conscious of the reality that comes with “integration of unequal economies”
- South Africa does not matter to the Rest of the World, but Africa matters to South Africa for its manufactured exports (industrialisation)
Looking Ahead

• Escalate Beitbridge issue to Head of State Level (adding to efforts by JICA and SADC OSBP Source Book 2)

• Consolidation of all Zim’s Statutory Instruments into a single document

• Capacitate private sector institutions to participate in all facets of regional trade matters (lobbying, negotiations, consultations, etc)

• Smart industrialisation through trade

• Sensible business tension pervades between Zim and RSA

• Monitor implementation and adherence to trade agreements

• Bearing in mind that trade agreements are designed to foster national development, and improve consumer welfare, especially the poor portions of our societies

• Historical ties between Harare and Pretoria should be the pillar for a common understanding and adherence to trade agreements.
Thank You

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