-Zambia-

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GENERAL FEATURES OF TRADE POLICY

Zambia is an original member of the World Trade Organization; it ratified the Marrakesh Agreements on 15 April 1994. Zambia is not a signatory to the Plurilateral Agreements resulting from the Uruguay Round.
As a UN-designated least-developed country, Zambia is eligible for special and differential treatment provided under the WTO Agreements.
Zambia is actively involved in two main regional trading arrangements: the Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC). It is a member of the Cotonou Agreement, which is expected to lead to Regional Economic Partnership Agreements with the EU.

Zambia was a founding member of the Preferential Trade Area for Eastern and Southern African States (PTA), which became COMESA in late 1994. The COMESA agenda is to deepen and broaden the integration process among member states through: the complete elimination of tariffs and non-tariff barriers to regional trade, and the adoption of a common external tariff (CET); the free movement of capital, labour, goods, and the right of establishment within COMESA; the adoption of a common set of standards and technical regulations, quality control procedures, certification schemes, and sanitary and phytosanitary regulations; the standardization of internal taxation (including value-added tax and excise duties), and conditions regarding industrial cooperation, particularly on company laws, intellectual property rights, and investment laws; application of harmonized competition policies; and the establishment of a Monetary Union.

In its continued efforts to place its economy on a higher growth path, Zambia will support all initiatives aimed at, inter alia, improving market access for its products, providing flexibility to Zambia through special and differential treatment, addressing the imbalances that hinder it in exercising its rights under the WTO, and providing technical assistance to enable it to be an active and efficient Member of the WTO.
Since 1996, Zambia had continued to pursue economic policies aimed at achieving the twin goals of sustained economic growth and poverty reduction. The main measures undertaken to achieve these goals included: (i) stabilization measures aimed at establishing and maintaining internal and external balance; (ii) structural adjustment measures to strengthen the basis for a more diversified, market-based, outward-oriented economy; and (iii) social sector policies aimed at poverty reduction and human resource development. These measures were aimed at achieving the stated goals through the creation of a competitive and productive economy driven by private sector initiative.
Notable developments highlighted by the representative were, firstly, the privatization programme, which commenced in 1993. To date 254 companies had been privatized; the biggest milestone was the sale of the Government's largest asset, the Zambia consolidated copper mines, in March 2000. Secondly, Zambia had established the Zambia Competition Commission and the Energy Regulation Board. Thirdly, export procedures had been further streamlined through the harmonization and simplification of various documents, such as the introduction of a single customs declaration form in 1997. Furthermore, the compulsory preshipment inspection and import declaration fees had been abolished.

The following table is an overview of the tradeflow between the European Union and Zambia

Section	Year	Import(Euro)	Export(Euro)
Animals & animal products	1996	433,450	725,900
	1997	485,010	1,520,410
	1998	511,500	374,250
	1999	443,530	494,440
	2000	360,410	509,290
	2001	360,870	443,530
	2002	399,210	556,080
	2003	756,260	591,520
Vegetable products	1996	14,855,860	8,863,410
	1997	21,799,330	1,387,660
	1998	29,413,920	968,020
	1999	31,825,740	168,750
	2000	34,411,290	359,190
	2001	43,445,460	394,920
	2002	42,494,870	485,520
	2003	36,926,000	835,260
Animal or vegetable fats	1996	13,100	235,910
	1997	38,720	83,190
	1998	80,810	234,780
	1999	12,980	212,420
	2000	45,780	18,310
	2001	101,860	94,990
	2002	29,630	100,140
	2003	100,290	85,260
Prepared foodstuffs	1996	9,643,960	777,390
	1997	33,392,950	1,213,340
	1998	16,150,710	1,047,060
	1999	8,365,140	614,410
	2000	11,286,240	836,300
	2001	12,655,010	491,550
	2002	16,905,960	562,230
	2003	24,459,320	496,630
Mineral products	1996	32,510	88,560
	1997	622,870	179,250
	1998	6,353,250	100,840
	1999	39,577,410	77,740
	2000	22,133,750	57,770
	2001	1,530	135,730
	2002	29,590	45,050
	2003	7,190	28,420
Chemical products	1996	1,771,000	12,195,340
	1997	105,140	16,509,550
	1998	1,204,810	10,377,630
	1999	149,000	9,626,540
	2000	119,570	9,895,260
	2001	251,100	8,011,180
	2002	129,110	8,522,670
	2003	157,230	10,458,790
Plastics & rubber	1996	24,000	6,656,120
	1997	10	9,426,400
	1998	0	6,268,990
	1999	0	3,000,720
	2000	16,280	3,971,540
	2001	0	2,657,100
	2002	57,630	2,396,640
	2003	2,820	5,012,550
	1996	395,190	13,760
	1997	188,630	9,680

Hides & skins	1998	281,010	30,540
	1999	210,880	39,870
	2000	807,460	29,760
	2001	1,180,590	79,810
	2002	974,230	37,590
	2003	188,640	69,100
Wood & wood products	1996	40,470	11,220
	1997	59,700	41,100
	1998	64,500	18,570
	1999	128,040	7,320
	2000	46,360	19,630
	2001	38,190	42,270
	2002	79,830	9,540
	2003	34,280	37,520
Wood pulp products	1996	1,230	6,571,410
	1997	31,130	5,027,120
	1998	12,850	2,789,200
	1999	18,370	5,416,030
	2000	38,240	2,859,150
	2001	64,580	4,640,380
	2002	11,460	2,247,600
	2003	62,000	2,295,050
Textiles & textile articles	1996	32,648,810	3,398,100
	1997	41,821,290	3,310,360
	1998	35,943,190	3,296,140
	1999	30,678,290	6,203,580
	2000	32,953,800	3,600,280
	2001	24,704,770	2,704,750
	2002	13,560,480	3,412,590
	2003	11,229,210	2,290,450
Footwear, headgear	1996	0	540,750
	1997	0	510,000
	1998	0	392,240
	1999	14,300	372,570
	2000	1,840	677,890
	2001	0	603,740
	2002	2,360	276,950
	2003	0	340,730
Articles of stone, plaster, cement, asbestos	1996	8,150	1,560,800
	1997	720	1,329,550
	1998	3,520	2,040,500
	1999	10,690	734,240
	2000	5,240	962,250
	2001	30,400	1,273,710
	2002	6,020	2,531,940
	2003	5,510	1,695,700
Pearls, (semi-)precious stones, metals	1996	3,225,270	200,010
	1997	3,424,710	523,490
	1998	2,094,320	213,820
	1999	1,403,960	828,150
	2000	1,462,900	195,270
	2001	16,863,080	482,880
	2002	5,845,150	295,920
	2003	4,416,710	26,840
Base metals & articles thereof	1996	88,096,110	6,507,330
	1997	130,465,570	5,184,190
	1998	130,667,450	4,021,650
	1999	97,821,280	3,088,400
	2000	54,061,010	7,844,570
	2001	64,599,550	5,050,970
	2002	32,629,490	2,606,630

	2003	44,452,750	2,731,060
Machinery & mechanical applicances	1996	641,170	85,578,540
	1997	394,410	63,159,340
	1998	1,243,270	54,173,350
	1999	1,356,540	41,131,800
	2000	1,685,160	52,288,860
	2001	379,450	57,554,070
	2002	1,949,100	54,612,170
	2003	2,098,930	53,357,910
Transportation equipment	1996	17,230	10,731,080
	1997	24,700	10,471,080
	1998	149,430	8,480,790
	1999	48,610	7,126,230
	2000	138,110	7,534,130
	2001	40,410	6,973,340
	2002	11,750	8,359,080
	2003	34,860	8,163,900
Instruments - measuring, musical	1996	33,310	5,484,130
	1997	118,680	4,689,530
	1998	94,460	4,395,490
	1999	191,170	2,682,390
	2000	63,330	3,672,090
	2001	194,160	4,446,550
	2002	159,040	4,421,270
	2003	87,430	5,876,940
Arms & ammunition	1996	200	182,070
	1997	0	176,540
	1998	0	76,610
	1999	0	90,350
	2000	1,250	109,330
	2001	0	69,560
	2002	0	66,550
	2003	0	112,920
Miscellaneous	1996	1,600	1,417,530
	1997	17,270	2,137,710
	1998	4,140	1,560,640
	1999	18,580	2,138,030
	2000	24,480	1,011,010
	2001	12,070	1,697,510
	2002	4,970	946,050
	2003	34,260	1,357,940
Works of art	1996	33,260	16,220
	1997	32,500	25,000
	1998	55,700	19,490
	1999	72,390	4,920
	2000	159,970	33,540
	2001	131,930	1,220
	2002	13,970	36,520
	2003	32,450	175,740
Other	1996	46,180	2,037,410
	1997	57,740	1,214,870
	1998	71,820	816,470
	1999	173,370	971,550
	2000	570,840	872,970
	2001	983,710	839,180
	2002	683,710	506,500
	2003	726,370	856,310

Agriculture and Fisheries last updated on

Zambia normally has a good climate, abundant arable land and labour, and good water resources.

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Zambian agriculture has three broad categories of farmers: small-scale, medium, and large-scale. Small-scale farmers are generally subsistence producers of staple foods with occasional marketable surplus. Medium-scale farmers produce maize and a few other cash crops for the market. Large-scale farmers produce various crops for the local and export.
Zambia produces a variety of crops. The dominant food crop is maize; other food crops include wheat, rice, sorghum, millet, cassava, groundnuts, soyabeans, and mixed beans. The main cash crops are: floricultural and horticultural products, coffee, cotton, tobacco, sugar, sunflowers paprika, and fresh vegetables. The under-developed livestock, fisheries and forestry sub-sectors have shown little improvement since 1996. Cattle remains the most important livestock activity in Zambia.

Agriculture, livestock, fisheries and forestry account for about 17% of real GDP and some 39% of earnings of non-traditional exports. Small-scale farmers hold nearly two thirds of agricultural land and a large share of the national herd; they rely largely on hoe cultivation and generally lack access to irrigation. Export crops are mainly grown by emergent, large- and medium-scale farmers, who are also maize producers and use modern methods. Some commercial farmers are involved in fishing activities, however this remains mainly in the hands of artisanal fishermen.
The major concern is that the number of households in the small-scale category has been increasing while the numbers of medium- and large-scale farmers have remained unchanged. This indicates that agricultural policies have not been effective in increasing the number of farmers in the medium and large-scale categories. The full exploitation of Zambia's under-utilized resources should offer the country many alternatives for diversifying the economy away from mineral production (copper and cobalt in particular) and increasing agricultural production, thereby contributing to poverty reduction and national economic growth.
The problem of HIV/AIDS is rapidly becoming a major constraint to the agriculture sector. The disease has a negative impact on agricultural production in that it debilitates productive labour. The Government is trying to address this problem through preventative efforts and other approaches, including animal draught power and conservation farming.
Zambia's agriculture remains highly vulnerable to unfavourable weather conditions, and it has been severely affected by drought in recent years, most recently in 2002. A major effort has been made to build up the livestock herd (also frequently affected by diseases), a significant proportion of which died during previous droughts. Unfortunately, poor road infrastructure, limited credit facilities for small-scale farmers, high nominal interest rates, and the narrow range of export crops continue to affect agricultural performance.
arkets.

Policy developments

In early 2002, Zambia reviewed developments in its economy and noted the failure of its agricultural policy to enhance food security on a sustained basis. This was attributed to inability to harness abundant water, arable land, and human resources. Agriculture is now considered as the prime engine for achieving broad-based economic growth and poverty reduction.
The draft National Agricultural Policy (2001-2010) continues the Government's previous emphasis on liberalizing the agriculture sector and promoting private-sector participation in production, marketing, input supply, and credit. However, as the vast majority of smallholder farmers are poor and need credit for their development, the Government decided to provide credit directly primarily for the purchase of fertilizer. The programme is not yet in place, but its goal will be to encourage small-scale farmers to become medium-scale producers.
Between 1996 and 2001, the development of the agriculture sector was coordinated through the Agricultural Sector Investment Programme (ASIP). While ASIP provided a foundation for the development of the sector, goals were not met, due largely to an unfavourable macroeconomic environment, inadequate resources, poor agriculture infrastructure, and slow private-sector response. In sum, in spite of the huge potential and past interventions, the agriculture sector has not been making a significant contribution to poverty reduction and overall growth of the economy. As part of the government's Poverty

Reduction Strategy Paper (PRSP), it was determined that, to meet the target of reducing poverty to 50% of the population in 2004 (from 72.9% in 1998), major attention would be given to agriculture. The result was the creation of an Agriculture Commercialisation Programme (ACP).

The ACP is to focus on increasing income generation through farming and to target government efforts on farmers aspiring to commercialize their activities. The key operational principles for ACP will include a special focus on market linkages and commercialization as well as building a culture of business entrepreneurship and ethics among players in the sector. The main target group is commercially oriented farmers, particularly small-scale farmers.

As part of its Poverty Reduction Strategy exercise, the Government intends to place agriculture as the leading sector for food security, economic growth, and poverty alleviation. In so doing, the Government has slightly revised the objectives of the agricultural policy in place in 1996. The current objectives are to: (a) ensure national and household food security through dependable annual production of adequate supplies of basic foodstuffs at competitive costs; (b) contribute to sustainable industrial development by providing locally produced agri-based raw materials; (c) increase agricultural exports, thereby enhancing the sector's contribution to the balance of payments; (d) generate income and employment through increased agricultural production and productivity; and (e) ensure that the existing agricultural resource base is maintained and improved upon.

Agriculture is the most tariff protected sector (18.7% on average, up from 18.2% in 1996). An import permit is required for agricultural products; according to the authorities, this measure is for sanitary and phytosanitary reasons and for statistical purposes. An export permit is also required. Exports of certain logs are banned. The Minister of Agriculture and Cooperatives has the authority to issue a Statutory Instrument to restrict the export of grain and grain products. This might be done if there are national food shortages. Currently, an export ban applies to maize, millet, sorghum, and related brans.

Mining
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Mining and quarrying

Mining and quarrying, dominated by copper, has been the prime mover of economic development in Zambia during both the colonial and post-independence eras. Over the years, the national economy has developed a comparative advantage in copper and cobalt mining. Deposits of gold, zinc, gemstones, coal, and a variety of agri and industrial minerals are also found in Zambia. Large-scale mining is active in copper, cobalt, and coal, while small-scale mining is active in a variety of gemstones that include emeralds, amethyst, aquamarine, tourmaline, garnets, and citrine. Emeralds are reported to be the most dominant. This rich variety of mineral resources offers great potential to provide the resources needed to finance development.

The sector's fundamental role in Zambia’s development can be assessed through the backward and forward linkages that exist between this sector and others. It provides critically needed inputs for agriculture and agri-chemicals, industrial manufacturing of a wide variety of products such as ceramics, paint manufacture, the electricity industry, and essential raw materials for the building industry. Over the last two decades, however, copper production has declined, largely because of declining copper ores and poor re-investment in new and existing mines. The sector's contribution to earnings from merchandise exports is currently around 70% (down from more than 80% until the mid 1990s); it accounts for some 6% of real GDP. Over 90% of Zambia's mineral output is exported, mainly as refined products.

A number of factors influence the performance of the Zambian mining industry, some are exogenous. The demand for copper is sensitive to the production levels of the major industrial companies using it as input; thus, it depends, to a considerable extent, upon the strength and duration of world recovery. Furthermore, production costs worldwide are likely to be significantly lower than in recent years due to technological innovations. Zambia, however, remains among the highest-cost producers as a result of, inter alia, large indirect costs and high debt-service payments.

The Ministry of Mines and Mineral Development is charged with formulating and administering policy on mineral resource development. Through its technical departments, namely the Geological Survey Department, Mines Development Department, and Mines Safety Department, it promotes investment in the sector; establishes and maintains an integrated information system (on the sector), which it makes available to the public, including potential investors; enforces legislation on the sector; promotes research in order to increase the knowledge base and enhance technological development; and monitors seismic activity in order to facilitate appropriate intervention.

In 1995, the Government put in place a mining policy that sought to ensure the development of a self-sustaining mineral-based industry. The policy, formulated through the Mines and Minerals Act of 1995, is designed to encourage private investment in the mining sector. Among the key objectives of Zambian mining policy are:

-to make the private sector the principal operator in the sector (through the privatization of public enterprises) and to promote its initiative in the development of new mines in order to increase and diversify mineral and mineral-based products and exports;

-to promote the development of small-scale mining;

-to promote the development of gemstone mining;

-to promote the exploration and exploitation of industrial and energy minerals; and

-to promote the local processing of mineral raw materials.

The Act aims to guarantee a stable and rewarding environment for private investment. The most prominent incentives are: the holder of a mining right is entitled to exemption from customs and excise duties on all machinery and equipment (including specialized motor vehicles) required for prospecting or mining activities; corporate tax has been reduced to 25% from the level of 30% for companies listed on the Lusaka Stock Exchange; and all capital items are VAT zero rated. Investors may enter into agreement with the Government for concessionary terms for their operations. The Government also extended some tax relief to mining companies, aimed at levelling the playing field between smaller, earlier-invested companies and the larger companies that entered the economy as part of privatization efforts.

Mining and quarrying activities, including exploration, production, imports, exports, and marketing, are largely without restriction; mining companies market their own mineral products. However, all rights related to activities in the sector are vested in the President on behalf of the Republic of Zambia. Mineral leases are transferred from the State through the issuance of mining rights, which comprise exploration licences, mining licences, gemstone licences, retention licences, prospecting permits, artisanal mining rights, large-scale mining licences, and small-scale mining licences. Thus, mining rights issued by the Ministry of Mines to locally registered companies and individuals venturing into the sector are specific to the nature of activities. Under the provisions of Section 75 of the 1995 Act, the need to conserve and protect the environment must be taken into account when granting these rights.

In order to boost and make the mining sector viable, the Government decided to implement a restructuring programme aimed at promoting private-sector-led development. With a mining industry driven by the private sector, it is hoped that the sector will spearhead economic growth and poverty reduction efforts. Full privatization and the use of improved extraction methods were expected to at least stabilize production at current levels by providing solutions to some of the major problems in the sector, including the re-capitalization and rehabilitation of the mines, high cost structures, and (indirectly) the fall in metal prices, which have had a negative effect on the performance of the industry for the last decade.

Zambia's copper-mining operations were run by Zambia Consolidated Copper Mines (ZCCM), which was Zambia's major mineral producer. For many years, its ownership was dominated by the State (60.3%), and the Anglo-American Corporation (AAC) of South Africa (27%). The major assets of ZCCM were privatized in March 2000; they are currently held by several private companies, the largest of which is the Anglo-American Corporation. With the completion of the privatization of ZCCM, there are no more public enterprises in this sector in Zambia. Furthermore, the Government does not reserve any mining and processing activities for public enterprises.

In late 2001, an unexpected dark cloud appeared over the mining sector with the decision by the Anglo-American Corporation not to provide additional capital required in Konkola Copper Mines. As the Government had expected the privatization of these mines to turn around the declining industry, this action was a major problem and challenge; it confirmed the importance of relying less heavily on copper. The 2002 Budget Speech reiterated the intention to diversify the economy in general and the mining activities in particular, within the shortest possible time.
Customs tariffs on mineral imports range from zero to 25%, with an average of 8.2% for the sector. Mining and quarrying are the least tariff protected activities in the Zambian economy. However, products from, inter alia, coal mining, crude petroleum and natural gas production, and salt mining carry relatively high tariff rates.

Services - Energy
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Electricity
The existing structure of the electricity industry comprises four electricity utilities, namely the Zambia Electricity Supply Corporation (ZESCO), CEC, KNBC, and LPHC. ZESCO is a state-owned, vertically integrated utility, which generates, transmits, distributes, and sells power to (retail) consumers. It also supplies bulk power to CEC and the export market. CEC, a private company, owns part of the transmission and distribution network on the Copperbelt. CEC purchases bulk power from ZESCO and supplies this power to the mines. KNBC is a state-owned generation company and until recently was run under leasehold to ZESCO. The LHPC owns two relatively small hydro stations at Mulungushi and Lunsemfwa in the central province.
ZESCO owns and operates the Kafue Gorge power station, the Victoria Falls power station and the majority of Zambia's transmission and distribution networks. ZESCO also operates four small hydro-power stations in the north-eastern part of the country in areas presently beyond the reach of the main grid.
KNBC operates the 600MW Kariba North Bank power station.

Droughts affect Zambian electrical production, and home consumption, and have trade consequences. Depending on the levels of reservoirs, Zambia exports electricity or imports it for re-exportation to neighbouring countries. In recent years, South Africa has overtaken Zimbabwe as the major destination. Other destinations are Namibia, Botswana, Tanzania, and the Democratic Republic of the Congo. The decline in the Zimbabwean economy has been a serious factor for Zambian electricity exports.
The customs tariff on electricity imports is 15%.

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As at July 2002, the banking subsector was composed of private international banks, private domestic banks, and parastatal banks. There are 14 banks, of which nine are foreign owned, three owned by local investors, one state-owned, and one joint-venture between the Zambian Government and three Indian banks. All banks operating in Zambia are required to incorporate locally; as a result, there are no branches of foreign banks. However, foreign banks are permitted to establish representative offices in Zambia.
Under the Banking and Financial Services Act, as amended in 2000, the Bank of Zambia (BoZ) (the central bank) supervises the banking sector. The 2000 amendment strengthened the supervisory powers of the BoZ and made the Act applicable to non-bank financial institutions. In 2001, the BoZ established a new department to supervise non-bank financial institutions. Licences authorizing companies to conduct banking and any regulated financial service businesses are granted by a Registrar.
Anti-competitive conduct, such as agreement or arrangement between banks with respect to interest rates, amount of charges to be levied or financial services to provide to any person, are prohibited. Compulsory liquidation of a bank may be ordered by resolution of

the BoZ.
With the abolition of exchange controls, any investor can borrow for investing in Zambia. The cost of borrowing locally remains very high; interest rates are in excess of 40% (prime rate). From time to time, the Government implements policy toward other sectors through special incentives in the financial services subsector. In this context, in 2002, because of the importance of agriculture, the BoZ decided to reduce the effective statutory reserves ratio for commercial banks lending to the agriculture sector. The expectation was that benefits would be passed on to farmers through a reduction in lending rates.
The Lusaka Stock Exchange (LuSE) opened in February 1994 and is structured to meet the G 30 recommendations for clearing and settlement system design and operations. Since its inception, the LuSE has offered trading in equity securities, and in March 1998, the LuSE became the official market for trading in government bonds. Investors may now undertake transactions in a listed security or government bond via the LuSE. The market is regulated by the 1993 Securities Act, which created the Securities and Exchange Commission to enforce it. The main impediments to the growth of the LuSE are the lack of professional fund managers, a poor culture of risk-taking and saving, limited foreign investment portfolio, limited financial products and bond securities, low liquidity, as well as lack of institutional investor guidance for agencies such as pension funds and insurance firms. There are no restrictions on foreign investment, and foreigners may invest on the stock exchange on the same terms as Zambians.

The Insurance Act of 1997 governs insurance companies. The Act created the Pensions and Insurance Authority, which is the regulatory authority and is headed by the Registrar of Pension and Insurance. Under the Act, only registered insurers can be licensed. The licence is granted by the Registrar; an annual fee is payable. There are currently seven insurance companies operating in Zambia; six are privately owned companies and the state-owned Zambia State Insurance Corporation (ZSIC). In addition, there is one re-insurance company, ten motor assessors, three loss adjusters, two claim agents, and 29 insurance brokers.
The ZSIC remains one of the few state companies not yet privatized; it is to be restructured before its privatization. The Government's liberalization and privatization policies have led to a large increase in the number of insurance brokers, the Zambia National Insurance Corporation, privatized in 1997, is the largest. As a result of the privatization reforms, many privatized firms, currently owned by foreign interests, have preferred to insure themselves internationally rather than domestically within Zambia. In addition, local entrepreneurs have not yet understood the benefits and importance of insurance.
The Insurance Act provides for local ownership of insurance companies, but does not specify the percentages, so some companies are almost wholly foreign owned.

Services - Transport
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Transport
Since Zambia is landlocked, the domestic transport situation takes on special importance.
The transport system of Zambia consists of railways, roads, airlines, and inland water transport. Air and road transport are largely in hands of private operators. Their associations include the United Taxis and Transport Association (UTTA), the Truckers Association of Zambia (TAZA) and the Federation of Road Transports. Within regulations established by the Government to protect consumers, these associations set prices that ensure the interests of their members. International haulage has attracted foreign companies since the liberalization of these activities; most of these companies have interests in other countries in the southern African region and have entered Zambia as part of their regional operations.

A new Transport Policy in 2002 recognized inadequacies in all branches of the country's transportation network. In particular, it identified the heavy demands that transport currently places on the country's oil and diesel supply, the impact on the mining sector of the poor road infrastructure, the negative impact on agriculture development of the shortage of satisfactory feeder roads, and the need for improved transport in the expectation of expanded tourism and of trade as a result of commitments in regional organizations. One of the new factors addressed by this transport policy was a decision to turn Zambia's geographical position from a liability into an asset. That means making its landlocked yet central position in southern Africa a hub for the expected expanded trade among the countries of the region.

Railways account for a significant percentage of the movement of the country's foreign trade. Rail transport is under the monopoly of two companies, Zambia Railways (ZR) and Tanzania-Zambia Railways Authority (TAZARA), which together form the railway network, principally built for mining activities and exports of mineral products. Zambia's railway system has suffered from two main operational constraints: historically, poor track maintenance in respect of ZR, and low availability of main-line locomotives and wagons in the case of TAZARA. These problems have reduced service capacity considerably and hence the ability of the companies to attract traffic. The railways have been run at a major financial loss, and the Government is aware of the need to make serious improvements. The Government is seeking a private concessionaire to operate ZR.

The road network serves remote areas that other modes of transport cannot reach. A large part of the road network was constructed before 1975 and has been eroded through lack of maintenance. However, after 1994 the Government established a National Road Board and a fuel levy, the proceeds of which are used for road maintenance. Currently, about 35% of the road network is being maintained. Additionally, there is a Road Sector Investment Programme (RoadSIP), supported by donors, for the rehabilitation and construction of roads. 94.
Private contractors hold almost 70% of the trucking market. Contract Haulage Limited, a state-owned company, operates in competition with private trucking enterprises; the company is listed for privatization. Trucking (known in Zambia as Public Service Vehicles) is subject to a licence issued by the Department of Road Transport (DRT), Ministry of Transport and Communication.

Liberalization (including the liquidation of the Zambia Airways in 1994) has resulted in the formation of small private air companies. Six run international scheduled services, including two exclusively for freight, two run scheduled domestic services, and the others are local charter operators. None, however, has risen to the status of a national carrier or flag carrier. The state-owned National Airport Corporation manages the four commercial airports in Zambia, but plans have been drawn up to privatize the airports. The goal is to expand air transport services with a view to contributing to the growth of tourism; however, the Government has only recently begun making investment in airfields to allow tourist attractions to be accessible by air. Traffic rights are granted by the Air Route Allocation Committee, which is chaired by the Permanent Secretary of the Ministry of Communications and Transport. Traffic Rights are allocated in accordance with bilateral air services agreements between States. All tariffs are normally proposed by airlines and are then approved by the Ministry, which also issues, amends and renews air service permits and the related fees. There is currently no airline licensing system. Companies registered abroad are not allowed to undertake cabotage in Zambia.

The contribution of inland water transport to the movement of goods and passengers in Zambia is presently not significant. Although the country has navigable lakes and rivers, the development of the related transport has been inhibited by lack of financial resources for the management of waterways. There has been prolonged neglect of existing canals, waterways and harbours. Currently, the port of Mpulungu is the only inland transit port; it enables Zambia to trade with other countries bordering Lake Tanganyika. The port is being run by a private concessionaire. According to Zambian authorities, facilities at the port are inadequate to meet the cargo throughput demand.

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TARIFFS AND DUTIES

During the Uruguay Round, Zambia bound customs duties on 16.24% of all tariff lines. In agriculture (WTO definition), all tariffs are bound, almost entirely at the ceiling rate of 125%, with a few exceptions, such as wheat and "meslin", rye, barley, and oats (45%); cocoa beans, cocoa paste, cocoa butter, fat and oil, and chocolate and other food preparations containing cocoa (50%); and cocoa powder, not containing added sugar or other sweetening matter (60%). Meanwhile, tariffs were bound on 3.6% of tariff lines for non-agricultural products, at the simple average bound rate of 42%. Although tariff bindings are always desirable, their practical significance in Zambia in constraining future tariff increases is undermined, as bound rates substantially exceed tariff levels. Zambia has made no commitments to reduce these ceiling bindings.

The tariff structure still has four bands (zero, 5%, 15% and 25%), and the average (unweighted) duty rate remains at around 13%. The maximum tariff band of 25% applies primarily to consumer and other "non-essential" goods. There are no export taxes, charges or levies, nor discriminatory internal taxes on imports. Along with trade liberalization, the programme of decentralization and deregulation has continued in other spheres of domestic economic activity, such as parastatal reform and privatization.

Tariffs continue to be Zambia's main trade policy measure, and virtually all are ad valorem (98.6% of total tariff lines). Customs valuation is, in principle, based on transaction value. The previously mandatory preshipment inspection system has been discontinued. Quantitative restrictions have been eliminated and import controls are maintained only for environmental, sanitary, phytosanitary, moral, health, and security reasons. An import permit, though, is required for most agricultural products. Export controls and regulations are also minimal. Exports are assisted by a variety of incentives ranging from tax exemptions and concessions to duty drawback.

Other duties and taxes
Goods imported into Zambia are generally subject to three types of duties: the customs tariff, the excise duty, and the value-added tax.
Zambia levies excise duties on certain products at rates ranging from 5% to 125%. According to the authorities, rates are the same whether goods are domestically produced or imported. Excise duty is applied to the c.i.f. value of imports plus customs duty; and on the sales price (i.e. production costs plus mark-up) of locally produced goods.

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NON TARIFF BARRIERS

Registration and documentation
All businesses engaging in domestic or international trade must be registered with the Patents and Companies Registration Office, an executive agency of the Ministry of Commerce, Trade and Industry. Trading activities are open to Zambians and foreigners.

Certification must be obtained for imports of: livestock (Department of Animal Production and Health); live plants (Plant Quarantine and Phytosanitary Service - PQPS); food and pharmaceuticals (Ministry of Health); and firearms and ammunition (Zambia Police). For a pharmaceutical licence to be issued, the importer must have suitable premises for operations and storage, and employ qualified professionals, as certified by the Pharmacy, Medicines and Poisons Board.

All imported goods must be fully declared at the point of entry; liability for the payment of customs duty and VAT arises at the point of importation. Commercial import consignments are declared on a Customs Declaration Form, primarily used for data collection purposes. The Import Declaration Fee (IDF) has discontinued on 1 July 1998. Imports may be handled by customs clearing agents, who must be registered with the Zambia Revenue Authority. The services of customs clearing agents must be used if the goods are to be cleared inland.

Customs valuation

Zambia applies tariffs on the c.i.f. value of imports, the components of the value of import being cost, insurance (up to entry point), freight and other costs related to acquisition and importation of the goods. All expenses incidental to placing goods on board the ship ready for export to Zambia are also included. The dutiable value of goods is always considered to be, not less than the f.o.b. price of the goods to the importer.

Zambia has discontinued its mandatory preshipment inspection system. Since 1 January 2000, the principal methods used for customs valuation have been based on the transaction value, i.e. the price actually paid or payable when a good is sold for export to Zambia. In cases where the transaction value cannot be ascertained, the price actually paid for similar goods, adjusted for differences in cost and charges based on distance and mode of transport, is determined as the transaction value. If more than one transaction value is ascertained, the lowest value applies. Alternatively, in case of presumed under-valuation of imports, a computed or deductive value may be used, based on production and commercial cost of the imported good. There are no import deposit requirements nor are minimum import prices applied.

Import prohibitions, quantitative restrictions, and licensing

Zambia completed the dismantling of import licensing in 1995. Following the suspension of the Exchange Control Act in 1994, and termination of the open general licence (OGL) scheme, Zambia does not exercise licensing requirements on imports, save for a short negative list, primarily for (according to the authorities) sanitary and phytosanitary purposes.

According to the authorities, Zambia maintains import prohibitions and controls only for environmental, moral, health, and security reasons, and under international conventions. Import prohibitions cover: (i) false or counterfeit coins or banknotes, and any coins or banknotes that are intended for circulation in Zambia, although they are not legal tender in Zambia; (ii) any goods that are indecent, obscene or objectionable; (iii) goods manufactured or produced wholly or in part by prison labour or within or in connection with any prison, jail or penitentiary excluding bona fide gifts made by a prisoner for the personal use of a private individual; (iv) pirated and counterfeit goods and any goods bearing false or misleading marks or descriptions as to their origin, purpose and use; (v) qilika; (vi) any goods prohibited for import by or under the authority of any law; and (vii) any other goods that may be declared to be prohibited goods by official statutory order.

Zambia maintains no quantitative restrictions.

Government procurement

Zambia is neither a member of nor an observer to the Plurilateral Agreement on Government Procurement.

The Zambia National Tender Board Act of 1982 (Chapter 394 of the Laws of Zambia) provides the legal framework for the regulation and procurement of goods and services for the Government of Zambia and its parastatal bodies. The Zambia National Tender Board (ZNTB), a government institution operating under the provisions of that Act, is responsible for all public procurement-related activities. These include enhancing the capabilities of government ministries and parastatals in the area of procurement, as well as implementation of procurement decisions consistent with agreed procedures of donor organizations and funding agencies.

Subject to certain threshold levels, responsibility for procurement is in the hands of the respective ministry. .

There are three types of formal tendering methods: selective tender; limited tender; and open tender. Selective and limited tenders are conducted from a shortlist of prequalified firms. The list needs to be approved by a relevant tender committee and is usually updated annually. These tenders do not require gazetting. An open tender must be gazetted; it is open to any bidder, national or international.

Standards, testing, and certification

The Zambia Bureau of Standards (ZABS) is Zambia's National Standards Body responsible for the development of standards and conformity assessment schemes, which include product certification, and quality management systems certification. The Bureau operates under the Standards Act No. 20 of 1994 (Chapter 416 of the laws of Zambia), which is a revision of the Zambia Bureau of Standards Act No. 22 of 1982. Under the Act, three types of standards can be established in Zambia: voluntary standards published by ZABS; compulsory standards for the promotion of public safety or otherwise in the public interest; and export standards for the promotion or development of exports. The two latter types can be declared only by the Minister responsible for Commerce, Trade and Industry; to date, none has been declared.

Zambian exporters may produce goods that comply with the requirements set by foreign importers even if such standards are at variance with national standards. However, if an export standard is declared, then exporters may not export unless they comply with this standard. Under the Act, the Minister may restrict for a limited period, the sale of any product that is suspected of being dangerous or unsafe. A supplier of any product judged to be unsafe or dangerous is liable to prosecution and may, in addition, be ordered to recall the product from the market at his own expense and accordingly compensate the buyers of the product. The Standards Law has not been revised since 1994, but there are plans to revise some of its provisions. The expected revision is to, inter alia, re-emphasize the functions of the Bureau taking into account the development of the quality function; and to provide for re-organization of the administrative function to align the Bureau's activities on those regional and international bodies, i.e. to cover, inter alia, standards, metrology, certification, and testing.

Zambian standards are mainly based on international standards developed by international standards-setting bodies such as the International Standards Organization (ISO), and the Codex Alimentarius Commission.

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IPR

Intellectual property legislation exists on patents, copyright, trade marks, merchandise marks and designs, but not on service marks. The Government intends to revise existing legislation to align it on the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights. Resource and capacity constraints are the main hindrances.