



Non-tariff barriers in SADC

1. Introduction

The achievement of free trade is a considerable challenge in a region as economically diverse as SADC. Undaunted, the SADC member states have committed themselves to the removal of tariff and non-tariff barriers (NTBs) to trade to achieve a free trade area by 2008, a customs union by 2010 and a common market by 2015.

While progress towards these goals is not as far advanced as the SADC's visionaries would like it to be, intra-community tariffs have been reduced, especially as 2008's free trade deadline has approached. These reductions have occurred despite the fiscal challenge that tariff reduction poses to SADC member governments, many of which are heavily dependent on trade taxes due to their small domestic tax bases and inefficient domestic taxation systems. For those particular governments, but also for the richer ones, once tariffs have been lowered, it may be tempting to use non-tariff barriers to help bridge their immediate revenue gaps.

There are a number of definitions of NTBs. The WTO, for example, classifies NTBs according to seven unwieldy categories. One definition, which has been influential within SADC trade circles since it was first outlined in 2004 in a specially commissioned inventory of each of the SADC countries' most prevalent NTBs, defines them as "any regulations other than a tariff or other discretionary policies that restrict international trade". NTBs, according to Imani Development Austral (2004) can be divided into three categories:

- Health, safety and environment NTBs: these barriers include export bans, restrictive sanitary and phytosanitary (SPS) requirements and standards and conformance requirements;
- Trade policy NTBs: these barriers include broader policy measures, such as public export assistance, export taxes, import licences, import quotas, production subsidies, state trading and import monopolies, tax concessions and trade remedy practices (such as anti-dumping, safeguard and countervailing measures);
- Administrative NTBs: these barriers include customs clearance delays, a lack of transparency and consistency in customs procedures, overly bureaucratic and arbitrary processing methods and documentation requirements for consignments, high freight and transport charges and generally, services that are not user-friendly.



2. SADC's anti-NTB strategy

Cognisant of the costs to business associated with existing NTBs in the region as well as the risk of NTB use expanding as tariffs recede, the SADC Secretariat has attempted to ameliorate this risk by eliminating NTBs. During a SADC workshop held in Pretoria, South Africa, in November 2006, the SADC Secretariat developed an action plan for the elimination of NTBs in the region. The action plan was discussed by the SADC members' trade ministers in July 2007, who agreed on a new reporting mechanism to assist intra-SADC exporters wishing to challenge an alleged, unfair advantage gained by their SADC competitors via an NTB. The mechanism is based on one previously developed by COMESA.

Undoubtedly, the new reporting mechanism is an important component of an effective anti-NTB strategy for the region. However, the mechanism appears only to address NTBs that affect those companies from different countries within the region which are in direct competition with each other. Yet because the SADC members' economies differ from one another, it is not often the case that companies within the region are in direct competition with one another. For example, there are no locally produced alternatives within other SADC countries to South African manufacturing and services exports. The concern is that there is a whole range of NTBs within the region not addressed by the SADC anti-NTB strategy, some of which have been highlighted in recent research on the topic, discussed below.

2.1. New research on NTBs in SADC

If the SADC's new reporting mechanism is only a partial solution to the problem of NTBs in the region, it is worth considering what else the organisation and its members need to do to combat NTBs and promote regional trade.

Two pieces of recent research on SADC NTBs, initiated by the South African Institute of International Affairs (SAIIA), offer contributions to SADC's ongoing policy debate on the matter. First, customs expert Costa Pierides studied the impact of NTBs on business supply chains between South Africa and Botswana (Pierides, 2007). Secondly, Mthembu-Salter's 2007 study focused on trade between South Africa and Zimbabwe and NTBs cost to business in this regard.

The NTB environment varies considerably from country to country within the SADC region and from economic sector to sector. Consequently, research into SADC NTBs is methodologically complex and challenging. The key findings from the aforementioned studies, which are preliminary contributions to this difficult topic, are discussed in this chapter.

3. Case study 1: Botswana and South Africa

Within the SADC region, the South African and Botswanan governments are among the best resourced and the least dependent on trade taxes. Pierides's study (2007) identified few NTBs of the trade policy kind to trade between Botswana and South Africa. His research, though, focused on administrative NTBs and their cost to the supply chains operating between South Africa and Botswana. .

3.1. Toll fees and delays

Pierides (2007) contends that the toll charges on the motorways connecting Botswana and South Africa constitute an important NTB to trade between these two countries. Although both countries have a right to finance the maintenance of their road infrastructure through direct user charges and general taxation, Pierides' research highlighted the current impact of toll charges on supply chain costs for the affected companies. At the time of his research, trucks driving between Durban and Gaborone had to pay R727 in toll fees each way while in South Africa, plus P325 (equivalent to R464) on the Botswanan side. Pierides estimated that an additional R455 was incurred each way in fuel consumption costs due to deceleration, while a further 45 minutes and R364 were added by stops at each toll booth. According to these calculations, in late 2007, a truck making a round trip between Durban and Gaborone incurred about R3,556 in user fees. That added up to billions of rands paid annually by transporters as a whole and obviously impacted negatively on the supply chains operating between South Africa and Botswana.

An interesting methodological feature of Pierides' research was his conceptualisation of infrastructural shortcomings, because of their upward impact on transport and freight costs, as an NTB. The main infrastructural problem on the Durban-Gaborone route was the poor state of some stretches of the road, particularly from the Tlokweng border crossing to Gaborone, which resulted in a 16 kilometre journey taking more than an hour under heavy traffic conditions.

While inadequate road maintenance is a factor, the global commodities boom is another variable affecting trade in the region. The boom has generated rising trade volumes on the SADC's north-south trade corridor, particularly of central African minerals that are heading south while new mining plant equipment heads north. Roads infrastructure is suffering under the strain of this increased traffic, a situation being worsened by the persistent practice of overloading. Botswana and South Africa both have strategically placed weighbridge facilities to catch offenders, although, as Pierides (2007) notes, checking trucks costs time and money and some offenders always seem to slip through undetected.

3.2. Costly infrastructural bottlenecks

Even if all overloaded trucks travelling along the SADC north-south corridor were apprehended, an outcome that, unfortunately, is not being achieved despite regional law enforcement agencies' best efforts, a fundamental problem is that too much heavy trade on this corridor is travelling by road. Railway infrastructure does exist and it could be used instead.

Yet, rather than increasing rail use, South African companies sending exports northwards have told the author in interviews that Transnet's capacity to facilitate exportation by rail has deteriorated in recent years. Transnet has not made public any recent precise data about rail freight trends between South Africa and its northern neighbours, so no definitive conclusions can be drawn about Transnet's impact on regional trade trends.

In January 2008, however, the company's Chief Executive Officer Maria Ramos, revealed that in 2007, for the first time in 20 years, Transnet's cargo volumes were higher than in the previous year. Sources close to Transnet's cargo freight division, meanwhile, have suggested that the company is currently working to address timetabling issues within South Africa and beyond; unreliable scheduling may have been one of the reasons why regional businesses continued to rely on road transportation instead.

The port of Durban is another infrastructural bottleneck that has contributed to increased transport and freight charges for export businesses operating within the SADC region.

Durban's port facilities have not kept pace with South Africa's recent economic growth rate and the surge in both imports and exports that it has generated. Consequently, long, costly delays are experienced for ships and trucks at the port.

In 2005, Transnet, which owns and operates the facility, launched a substantive re-capitalisation programme and announced that it was investing billions of rands to widen the Durban harbour mouth, allowing larger ships to enter the port, and to expand the port's capacity to load and unload cargo from these ships.

Transporters argue that similar attention and effort are required to ease road congestion in and out of the port. Some transporters have alleged that queues can extend for up to five kilometres and can result in costly delays of up to six hours. To ease congestion at Durban's port, Transnet Port Terminals has promised to provide transporters with incentives to deliver and collect their containers during off-peak periods. In addition, a new facility is being built near the port terminal, called A-Check, where drivers will be able to submit documents. The longer-term plan is to move more cargo straight over to rail and to introduce three scheduled trains per day to Gauteng (Cargo Info Africa, 2007).



3.3. Lengthy border delays

Generally, transporters' feedback suggests that from a purely administrative point of view, the Tlokweng border crossing between South Africa and Botswana seems to work reasonably well.

The same cannot be said of the Beit Bridge border crossing between South Africa and Zimbabwe, SADC's busiest border crossing. Despite its notorious economic problems, Zimbabwe remains a key trading partner for South Africa while it, in turn, is Zimbabwe's main global trading partner, with many of the goods traded between them passing through Beit Bridge.

Exasperated by the unacceptable bureaucratic delays at Beit Bridge, the Federation of East and Southern African Road Transport Associations (FESARTA) commissioned research to determine precisely how long trucks were taking to clear the border crossing.

The study, conducted during 2005-2006, involved researchers measuring precisely the timed progress of a very small sample of trucks passing through the Beit Bridge border crossing. Table 1 shows the average number of hours taken by trucks to pass through the Beit Bridge border as measured over a 10-month period.

The FESARTA study found that consolidated multiple entry (CME) trucks travelling north from South Africa to Zimbabwe took on average more than two days to clear the Beit Bridge border crossing. Break bulk single entry (BBSE) loads fared better, generally taking around a day to clear the crossing, while refrigerated goods and oil tankers passed through much quicker. It was not entirely clear from the FESARTA study why these differences existed. The South African Revenue Service (SARS), while conceding there have been severe difficulties at Beit Bridge in the past, has disputed the FESARTA study's findings, maintaining that its own records indicated faster turn-around times.

Research on this issue demands use of a precise methodology and the support of national customs authorities. Without both, it will be difficult to secure broader acceptance of such studies' findings. FESARTA has since followed up its research with another study at the Chirundu border crossing between Zimbabwe and Zambia, with the cooperation of the Zambian Revenue Authority (ZRA).

Table 1: Average number of hours for heavy commercial vehicles to transit Beit Bridge border crossing

Northbound	September 2005	October 2005	November 2005	December 2005	January 2006	February 2006	March 2006	April 2006	May 2006	June 2006
CME ¹	83	62	75	125	50	62	59	59	60	63
BBSE ²	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

Southbound	September 2005	October 2005	November 2005	December 2005	January 2006	February 2006	March 2006	April 2006	May 2006	June 2006
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 (2008)³

Regarding Beit Bridge, FESARTA claimed that for 2007-2008, there were periods when goods flowed freely and others when severe blockages were experienced. Occasionally, formal, official efforts to reduce smuggling and fraud contributed to these delays, but at other times, bureaucratic or political factors were responsible. Nonetheless, FESARTA has expressed optimism that the SARS has heard its concerns, especially via its national stakeholders' forum, and is attempting to address them.

One of the main ways in which the SARS and the SADC customs bodies hope to speed up transits at Beit Bridge, as well as at the region's other border crossings, is to persuade transporters' to pre-clear their goods. A single administrative documentation (SAD) system for SADC has been devised to reduce the paperwork required to move goods within the region. The SAD system was piloted for commercial vehicle traffic moving from South Africa to Malawi, via Zimbabwe and Mozambique, in early 2007. According to the SARS, the SAD system reduced transit times in the pilot study by nearly 40%. In future, the SARS wants transporters to submit their SAD online and to all relevant SADC customs bodies simultaneously, but so far, incompatible regional software systems have slowed the progress of implementation.

¹ A flat deck trailer (or two flat deck trailers) loaded with a single commodity, usually covered with a tarpaulin, and destined for one consignee.

² A containerised load of many different items, such as various goods destined for a supermarket or for more than one customer.

³ Information unpublished but supplied to author by FESARTA during an interview.

4. Case study 2: Zimbabwe

Northbound trucks travelling from South Africa to Zambia and the DRC increasingly avoid Beit Bridge, despite recent reforms and an overall shorter journey distance, opting to pass through Botswana instead. A study by Mthembu-Salter (2007) found that the main reason motivating this decision was that transporters reckoned the time and distance disadvantages were outweighed by the cost of sending their goods through Zimbabwe.

4.1. Excessive red tape and other administrative NTBs

For transporters transiting Zimbabwe, administrative NTB costs include a proliferation of taxes levied on trucks by the authorities, although the country's hyperinflation has rendered many of these more tiresome than expensive, and multiple inconveniences that result from the country's chronic fuel shortage.

There are further challenges and difficulties to be negotiated by traders and transporters. Zimbabwean companies importing from South Africa and elsewhere face a time-consuming and costly administrative NTB relating to how their imports are classified. For example, some Zimbabwean companies have reported that up to 19 different official approvals, which can take up to three months to obtain, are required for some imports. Apparently, the Zimbabwean authorities prefer to define imports as services, which are subject to a 20% withholding tax, rather than as goods that generally attract lower duties. The situation is a classic example of a government replacing a tariff with an NTB to preserve its trade revenue flows.

Another Zimbabwean administrative NTB intended to boost trade revenues, and aimed specifically at vehicle importers, is the requirement, introduced in mid-2007, that importers pay a large chunk of their import duties in foreign exchange. While it may be an understandable governmental response to the massively devalued currency, it has wreaked havoc with Zimbabwean vehicle importers' already tenuous business models and has significantly slowed vehicle imports into the country.

Zimbabwe's ever shrinking foreign exchange reserves, meanwhile, have induced the government to impose a series of increasingly debilitating rules about foreign exchange, which makes for an extremely costly trade policy NTB. The most significant restriction, which has eroded corporate profits for Zimbabwean exporters, is the requirement that 25% to 40% of their foreign exchange earnings be converted into Zimbabwean dollars at the official rate. As is well known, the value of Zimbabwe's currency at the unofficial, real economy rate is in freefall, with devaluation rates comparable to those seen in the DRC (formerly Zaire) during the economic meltdown of the early 1990s and in inter-war Weimar Germany. The result is that exporters get next to nothing in real terms for the foreign currency they exchange at the official rate.



That makes the scheme, in effect, a very high tax which is made all the more burdensome because it is imposed on turnover, not on profit.

When these same Zimbabwean companies need foreign exchange to import goods, they face yet another obstacle. South African and other global suppliers, unsurprisingly, demand from Zimbabwean importers nearly all of the required foreign exchange needed to pay for their goods up front. Zimbabwean companies report that sourcing this money via the Zimbabwe Reserve Bank is time consuming and often unsuccessful, while sourcing it on the black market is costly and illegal.

Zimbabwean fuel importers face an additional trade policy NTB in the form of price controls. In mid-2007, petrol, by law, was supposed to retail in Zimbabwe at Z\$350/litre, equivalent to US\$1.40 at the official exchange rate, but was actually set at a ludicrously low US\$0.01/litre at the parallel exchange rate (Mthembu-Salter, 2007). If fuel importers were able to access their foreign exchange at official rates this would not have mattered, but since most apparently sourced their foreign exchange out of necessity on the black market, none could afford to retail petrol for the prescribed amount.

Collectively, these restrictions constituted a massive trade policy NTB to the country's import and export trade – to such an extent that for many Zimbabwean exporters sending goods to South Africa and beyond it was no longer profitable to keep trading. At the same time, South African exporters to Zimbabwe have reported that it was increasingly difficult to find importing partners with sufficient access to foreign exchange.

Not all of the trade policy NTBs hampering trade between South Africa and Zimbabwe originated only from the Zimbabwean government. The South African authorities, as part of the effort to protect South Africa's domestic motor industry, imposed a ban on second-hand vehicles travelling on South African roads if they were imported via Durban from the Middle and Far East and intended for destinations north of the South African border. According to South African law, the vehicles must instead travel on either carrier trucks or cargo trains. The ban is a costly trade policy NTB. The South African authorities justified the ban as necessary for protecting the road network and making it more difficult for these vehicles to be smuggled into South Africa. The incentive to do so certainly exists because these imported second-hand vehicles sell for less than half the going rate for South African-manufactured second-hand vehicles. According to sources close to SARS, until recently at least, about one third of these imported cars remained in South Africa illegally. When destined for markets beyond South Africa, transporting the imported vehicles to Zimbabwe or beyond by carrier





truck typically added US\$700 to the cost of the vehicle and, according to second-hand car dealers in Zambia and the DRC, made it difficult for small-scale vehicle importers throughout SADC to remain in business (Mthembu-Salter, 2007).

Value-added tax (VAT) is another NTB imposed by South African authorities on goods. At the Beit Bridge border, the SARS will refund the VAT paid by Zimbabweans who have purchased South African manufactured goods and taken them back home up to a maximum of R2,000. Anything over R2,000 requires proof from traders that they operate registered businesses. This process can take over three months to complete and the money, deposited into the Zimbabweans' bank accounts at the official exchange rate, is valueless in real terms. The SARS has justified the NTB as a necessary step to reduce tax evasion.

Another South African administrative NTB is the stringent visa requirements imposed by the South African authorities on Zimbabwean nationals, making it difficult for them to enter the country to buy manufactured goods. Zimbabwean officials have frequently raised the issue with the South African government, yet, despite promises to 'streamline' the system, few substantive changes have been made and the problem persists.

Since 2007, Zimbabwe's economic difficulties have worsened: inflation and currency devaluation accelerated alarmingly and output weakened in most sectors. In addition, in early 2008, the Zimbabwean government introduced new laws requiring foreign-owned companies to increase the stake held by their local partners to over 50%. The new rule depressed already fragile business confidence and further dampened Zimbabwe's trade volumes. In this way, it seems that unpredictability and volatility in a government's trade policy can itself constitute an NTB precisely because businesses' future planning processes are affected.

5. Conclusion

Although they both lie broadly on the SADC's north-south corridor, trade between South Africa and Botswana, as shown in the Pierides' study (2007), and trade between South Africa and Zimbabwe, as discussed in the Mthembu-Salter (2007) study, are very different. Although SADC exhibits considerable diversity in its economic and political environment, both of the aforementioned studies highlight important potential policy directions for the SADC's ongoing efforts to eliminate NTBs:

Both studies drew attention to the crucial issue of infrastructure. Infrastructural weakness, because of a lack of investment from the state, can and does act as a major constraint to growing trade demand. For

that reason, poor infrastructure is an important administrative NTB. It is therefore good news that new investment at the port of Durban is addressing the serious capacity problems which businesses have experienced there in the past.

In addition, rail freight capacity in the region needs to be improved to keep pace with the region's economic growth, particularly in the mining sector. If this does not happen, the massive mining loads trundling along SADC's highways may grind regional growth into pot-holed ruin.

There is a need for the relevant authorities to re-examine the current structure of road tolls within the region. Even if the overall level of taxation remains the same, much of the real cost of toll roads appears to be due to trucks slowing, stopping and speeding up again. One obvious solution to this is to levy larger sums of money at fewer intervals.

The SARS and other regional customs authorities piloted the SAD system for commercial vehicle traffic moving from South Africa to Malawi, via Zimbabwe and Mozambique, during the second quarter of 2007. According to the SARS, transit times were reduced by nearly 40%. It seems obvious that regional efforts to implement the SAD system should be continued and intensified, while the technical incompatibilities associated with the different software systems used by SADC's various national customs authorities must be addressed at a high levels.

Regional co-operation is required to overcome administrative NTBs. Yet, as is the case with Zimbabwe, such efforts can be dwarfed by the negative impact of trade policy NTBs generated by the economic policies pursued by individual SADC states. Those policies can and do impact on the Community's efforts to achieve free trade. While there appear to be few administrative or trade policy impediments to trade between South Africa and Botswana, the Zimbabwean government's recent economic policies are costly trade policy NTBs that obstruct commerce throughout the region.

It is worth noting that the EU has always recognised the need for the Community to exert influence on the economic policies of its members, an approach which has reached a new level of intensity since the advent of a single, regional currency in the EU. In the SADC, by contrast, beyond the call for collective cuts in tariffs, national economic policy sovereignty remains paramount. While this arrangement may suit the SADC's political and economic realities, the risk SADC faces as it strives to create a free trade environment within the region is that economic policies within individual member countries may reverse its hard-won gains.

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