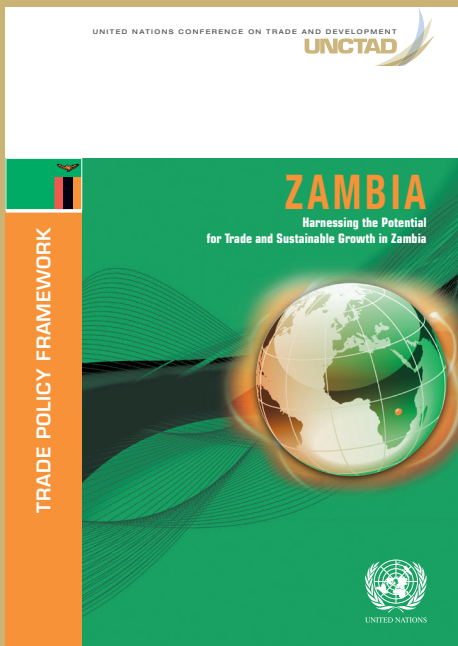




# Trade Policy Framework: Zambia



Following a review of Zambia's trade performance and the current tariff structure, the framework recommends a strategic trade policy calibrated to support industrial sector interests. Tariff-setting is an essential component of improving Zambia's trade performance but is not the sole determinant. Other factors play a critical role in preventing the country from increasing its exports and ultimately the creation of employment, increased incomes and reduction of poverty, such as the cost of doing business and high trade costs. The framework sets out the principles, approaches and key elements that should shape Zambia's strategy for integration into the global economy. Recognizing the growing complexity of trade policy in a rapidly changing global environment, the framework offers an agenda for future work on trade policy by outlining a number of recommendations.

Several recommendations emerge, among other, from the paper:

- Policymakers should maintain a stable macroeconomic environment, keeping the inflation rate low, fiscal deficits stable and the exchange rate flexible in order to support trade policies and strategies to promote export production and increased exports;
- As regards the Singapore issues (trade facilitation, investment, Government procurement and competition policy) which are under negotiation at WTO, the country should address these at the bilateral or plurilateral levels before they can be pushed at WTO or multilateral level. Much can be learned from designing and implementing the new rules in this way, which will be beneficial for WTO or multilateral negotiations;
- Policymakers should work towards building a competitive economy. This will require focusing on reducing the production and trade costs. Key to this is the organization of the domestic services sector and its capacity. Policymakers must work towards increasing competition and pushing for regulatory reform. The country should establish a strong base of domestic services reform spearheaded by MCTI;
- To promote the services agenda, Zambia should pursue the "4 plus 5 strategy". This consists of unilateral liberalization at WTO in financial services, telecommunications, transport and energy services sectors, and liberalization at the regional level of business and professional services, communication services, financial services, transport services and labour mobility in respect of the entry of business persons;
- Zambia should bind the de facto opening of the telecommunications and commercial banking sectors at WTO. These sectors are of import interest to Zambia, and their opening is already agreed at the regional level, at COMESA and SADC. Binding at WTO would allow the country to attach conditions for development purposes, using GATS articles IV and XIX;
- Zambia should maintain its current applied MFN tariff structure. However, to support its industrial policy, it should implement a strategic tariff policy that takes account of industry policy sector strategies. In order to do this, a tariff commission responsible for setting Zambian tariffs and managing and resolving any trade issues that might arise, should be set up: Most of Zambia's non-traditional trade is in the regional market. Zambia should seek deeper integration in the region. The COMESA-EAC-SADC Tripartite is an important step in advancing the regional integration agenda and advancing trade across Africa. Zambia already enjoys access to all Tripartite countries through current preferential trade arrangements. The major benefits for Zambia will be the reduction in trading costs in the Tripartite through a joint infrastructural development programme, trade facilitation activities and harmonization of rules of origin.

