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Non-Tariff Measures (NTMs) Facing Exports from South and Southern Africa

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Key Points

As international tariffs are being reduced increased attention is being given to the role of non-tariff measures in impeding trade flows. The working definition of NTMs used in this report is "g*overnment measures other than tariffs that restrict trade flows"*. This covers a range of measures from health and safety measures through to the suite of regulations associated with trade and general matters such as transport costs and customs and administration procedures that may not be not directly under the control of governments but certainly under its influence.

The objective of this study is to examine NTMs facing exporters from the South and Southern African region in their major markets. The study does not examine NTMs within the region itself. Data is from a wide range of secondary sources, and while ideally primary data is better, the study provides a valuable information base.

Export trade data is given to set the general scene, and then a survey of trade policies in selected markets is detailed. These markets include the crucial EU and US markets, and a range of others chosen for their export importance or as a background for possible FTA negotiations in the case of Norway and Switzerland, for example. This country-by-country survey is then extended to examine the trade policies of countries in the region, with emphasis on the export-related policies of the region.

Exports are divided into three main categories. In the first, there are few NTM inhibiting the mining and metal sector. Coal may be the only exception to this, as it is heavily subsidised in parts of the EU.

Three of the main manufacturing exports from Southern Africa are automobiles, clothing, and iron and steel products. All three face distorted markets internationally. Currently the textile and clothing sector is actually benefiting through preferential access into the EU and US markets. However, when the international quotas are removed at the end of 2004 and if tariffs are reduced by either bilateral or multilateral liberalisation these preferences may be dissipated; thus threatening the sector in Southern Africa unless productivity improvements can be made. Iron and steel exports from the region are currently also benefiting from the US safeguard actions in particular, as these exports have been exempted from the safeguard actions.

Internationally, agriculture is a very distorted sector as the OECD countries continue to heavily support their producers. This would suggest that NTMs are a problem, and that is indeed the case. Balancing this is the preferential access that the region has for some agricultural products into the EU in particular. Sugar is the sweetest example, as Mauritius and others gain considerable economic rents into the EU market. SPS issues are a concern for many products into the developed country markets, as it is difficult for

the smaller countries in the region to meet these exacting standards. Other NTMs include tariff quotas on fruit exports.

Many perceived NTMs exist for legitimate reasons such as consumer protection or as a component of the necessary business methods of doing trade. They only become genuine NTMs when they are implemented in such a manner as to unnecessarily add to costs or inhibit trade. In the multilateral context the WTO is international disputes arbitrator on many NTMs. Bilateral FTA negotiations also present opportunities to alleviate these problems as well as reduce tariffs, and these opportunities must be taken. The paper discusses these aspects in more detail.

There is enough information and analysis in this paper to affirm that NTMs are an issue for exporters from the region. The suggested way forward includes addressing the NTMs as discussed in the previous paragraph and also building upon this current study to obtain more detailed information on the problems. The best method of doing this is by seeking primary data from exporters and business people. At a minimum this would entail a series of face-to-face interviews with these key actors, but perhaps a wider (e)mail survey could be considered to canvass a more definitive information base.

Ideally a quantification of the costs to the region of NTMs would be ideal. However, firstly it is necessary to get a more in-depth understanding of the problems, and secondly international quantification methodologies can be best described as being in their formative stages.

Section 1: Introduction

"*Africa needs to reap the economic benefits that trade liberalisation can bring…. The list of products where trade distortions take away the competitive advantage of poorer countries is long. And East Africa has a considerable number of items on this list, not only in terms of actual, but also with regard to potential exports…. The removal of trade barriers and distortions both in the agricultural and industrial sectors are necessary to boost diversification efforts*"[1]

As tariff barriers are reduced around the world there has been an increasing attention paid to non-tariff measures (NTMs) that impede trade. There are differing definitions of exactly what these NTMs are, let alone their quantitative impacts, but to save a lot of verbal gymnastics they can be **defined as *government measures other than tariffs that restrict trade flows***.

The crucial role and importance of NTMs is officially recognized in South Africa: *"Reducing tariff barriers alone will not succeed in providing genuine market access for developing countries. Non-tariff barriers such as anti-dumping, technical barriers to trade and import licensing in developed countries, often pose significant barriers to developed country exports. Some issues, such as anti-dumping, are currently under discussion in other negotiating groups. Real progress in these areas must be achieved as part of a single undertaking"*[2].

The uncertainties surrounding quantitative estimates should not preclude a study that examines measures impeding trade, as a strong qualitative assessment is able to give policy makers and trade negotiators a significant information as to where effort should directed for maximum gain. The objective of this study is to identify NTMs that impede trade between South and Southern Africa and the respective trading partners.

It is important to note that identifying NTMs can be a very subjective business. For instance, a measure that a particular country has imposed for reasons of legitimate health or environmental concern may be perceived in other countries as fundamentally a trade-restricting measure.

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[1]" The multilateral trading system: Why East Africa must remain engaged"; Keynote address at the Second East African Business Summit Nanyuki, Kenya, 18-21 September 2003 by Dr. Kipkorir Aly Azad Rana, Deputy Director-General, World Trade Organization, Geneva, Switzerland. While these remarks were directed at East African countries, they are equally valid for many Southern African countries, and delivered post-Cancun they highlight the role of NTMs even more starkly.

[2] **"SA on Market Access for Non-agricultural Products",** South Africa's comments on the Draft Elements of Modalities for Negotiations on Non-Agricultural Products. Dated 12 August 2003, and an exert from a report received by the WTO from the Permanent Mission of South Africa.

Published data sources used in this study include the trade issues reports published by the European Union (EU)[3], the United States of America (US)[4] and Japan, the World Trade Organisation (WTO) Trade Policy Review Mechanism (TPRM) reports[5], and several country and/or regional and/or sector-specific reports.

The Way Ahead

The remainder of the paper is set out as follows:

Section 2 examines the export flows from the Southern African region. This is to enable a matching of trade flows with measures inhibiting these flows on a one-to-one mapping.

Section 3 groups NTMs into three main categories and provides a short background on the main NTMs within these categories.

Section 4 provides a general background of the trade policy setting for the main export destinations of South African merchandise trade. Most of the information is from the WTO TPRM documents.

Section 5 takes the major trade sectors reported in Section 2 and then examines a variety of sources to identify the measures impacting on these flows. A feature of this section is that many of the main exports actually benefit or have benefited in the past from preferential access that other trading nations may view as NTMs.

Section 6 discusses the results to date and draws implications from the study. In particular, it links this study to South Africa and the various partners where FTA negotiations are either in active negotiation or under consideration.

[3] on the web at www.mkaccdb.eu.int
[4] on the web at www.ustr.gov
[5] on the web at www.wto.org

SECTION 2: REGIONAL EXPORTS

Export Trade Summary

Table 2.1 shows the aggregate exports from the region. The South African Customs Union (SACU) countries of South Africa, Botswana, Namibia, Swaziland and Lesotho completely dominate these exports. Some 86 percent of the total exports are sourced from these countries. Next is Zimbabwe, with fewer than 5 percent of the exports. The EU is the major destination, taking 38 percent of the total. "Unknown" follows the EU (from SACU), and then the USA and Japan.

Table 2.1: Exports from Southern Africa to World. US$ m, 2001 Year.

Definitions	Total	EU	Unknown	USA	Japan	Percent
Grand Total	**41,279**	**16,214**	**4,057**	**3,189**	**1,763**	**100%**
SACU	35,678	13,855	4,057	2,770	1,508	**86.43%**
Zimbabwe	1,978	7		426	149	**4.8%**
Mauritius	1,569	1,053		320	8	**3.8%**
Tanzania	672	361		17	37	**1.6%**
Zambia	626	208			5	**1.5%**
Malawi	385	142		49	33	**0.9%**
Mozambique	375	170		26	23	**0.9%**
	100%	**38.3%**	**9.8%**	**8.7%**	**4.3%**	

South Africa (inc Botswana, Namibia, Swaziland and Lesotho)

Table 2.2 shows the exports from SACU by SITC 3 level codes and export destination. Precious stones (diamonds) mostly to the EU as the main trade flow. Next is "special transaction" to "Unknown" destinations. Switzerland is the fifth most important destination by virtue of its diamond trade. Coal, pig iron and petroleum products round off the top five commodities.

Table 2.2: Exports from SACU to World. US$ m, 2001 Year.

Definitions	Total	EU	Unknown	USA	Japan	Switz	Zim
Total	35,677.9	13,854.5	4,057.0	2,770.0	1,508.0	1,001.2	971.8
667 precious stone	6,721.0	5,230.4		155.2	0.4	894.6	
931 special	3,535.1	4.9	3,507.2	0.8	0.3		0.6
322 coal	1,427.8	870.0			37.2	9.6	1.5
671 pig iron	1,404.9	534.0		257.5	253.3	3.9	2.9
334 petroleum	1,260.5	11.0	545.9	18.9		0.1	76.9
781 cars	1,165.1	555.1		100.6	138.1	0.1	10.0
728 special mach	1,015.2	661.9		127.6	2.4	0.6	18.8
674 plates etc iron	984.3	293.8		127.5	5.7	4.9	32.2
287 ores nes	969.9	240.1		225.9	105.0	0.5	175.1
684 aluminum	943.6	78.4		86.5	220.8	1.5	6.0
Top 10 as % total	54%	61%	100%	40%	51%	91%	33%

Zimbabwe

Table 2.3 shows the major trade flows from Zimbabwe. Tobacco and tobacco products dominate. The EU is the main destination, followed by South Africa and then Japan. Ten SITC categories account for 66 percent of exports. The countries shown account for 61 percent of total exports, and there were no recorded exports to the US

Table 2.3: Exports from Zimbabwe to World. US$ m, 2001 Year.							
Definitions	**Total**	**EU**	**SA**	**Japan**	**China**	**Zambia**	**Thai**
Total	1,978.5	426.4	391.2	149.4	111.7	84.2	50.1
121 tobacco unman	625.2	180.8	53.7	16.6	99.0		
263 cotton	187.9	58.9	24.5	3.6		2.7	45.7
671 pig iron	126.4	42.4	1.1	46.2			
061 sugar	93.4	5.0	26.6			3.7	
683 nickel	76.6	19.7	1.7	48.2			
278 other minerals	73.5	9.8	6.4	10.4	0.6	1.5	3.6
292 vege material	34.1	26.0	1.0	0.5			
122 man tobacco	31.6	0.2	2.1				
821 furniture	29.1	0.8	11.2	0.1		3.4	
699 man metals	28.0	0.1	8.2	17.8		0.3	
Top 10 as % total	66.0%	80.6%	34.9%	95.9%	89.1%	13.7$	98.3%

Mauritius

Exports from Mauritius are dominated by clothing and sugar, two sectors that face high levels of protection internationally.

Table 2.4: Exports from Mauritius to World. US$ m, 2001 Year.							
Definitions	**Total**	**EU**	**USA**	**Madagsc**	**Switz**	**Canada**	**SA**
Total	1,569.0	1,053.3	319.9	80.3	13.2	11.8	10.7
846 under garments	351.4	320.7	19.0	0.7	1.1	4.5	0.2
842 outer garments	257.4	105.5	140.7	1.4	0.2	3.9	0.2
061 sugar	223.1	216.9	4.7		0.7		
845 outer garments	187.1	156.7	24.6	0.4	0.9	1.3	0.1
844 under garments	181.7	79.1	98.5	0.2	0.1	1.6	0.1
652 cotton fabrics	44.5	1.9	0.3	20.3			4.3
667 precious stone	44.1	29.9	7.7				0.5
037 fish etc	37.5	37.4		0.1			
897 jewellery	31.4	23.4	2.3		4.6		0.1
655 knitted fabrics	21.5			20.5			0.2
Top 10 as % total	88%	92%	93%	54%	57%	96%	52%

Tanzania

Exports from Tanzania are shown in Table 2.5 to be more diverse by sector. The main product of gold represents 17 percent of the exports. The EU takes 54 percent of the exports.

Table 2.5: Exports from Tanzania to World. US$ m, 2001 Year.

Definitions	Total	EU	India	Japan	Kenya	USA	SA
Total	671.6	361.0	99.0	36.9	27.2	17.2	11.9
971 gold	116.0	106.8					6.4
057 fruit & nuts	88.3	1.6	84.1				0.3
071 coffee	86.8	56.4		19.1	0.5	2.3	
034 fish	70.5	62.5		3.4		1.9	
667 precious stone	61.5	44.6	7.8			5.5	0.8
121 tobacco	39.5	26.8		4.2		1.1	0.3
263 cotton	36.5	5.5	4.3		1.9		0.1
074 tea	31.5	9.0		0.1	14.7	0.1	0.1
292 vege material	18.4	10.9	0.4		0.2	2.7	1.6
075 spices	8.6	1.0	0.1		0.1		
Top 10 as % total	83%	90%	98%	73%	64%	79%	81%

Zambia

Table 2.6: Exports from Zambia to World. US$ m, 2001 Year.

Definitions	Total	EU	SA	Switz	Congo	Zim	Malawi
Total	625.7	208.1	173.7	40.6	30.7	16.1	9.3
682 copper	266.7	111.0	46.4	12.4	0.6	2.3	0.1
699 man metals	42.5	1.4	15.6	25.4			
689 mis. metals	37.1	23.2	13.7	0.2			
651 textile yarn	25.4	22.6	2.1			0.3	0.1
061 sugar	24.2	5.6	0.7		12.0	0.1	0.2
667 precious stone	19.1	1.6	2.8	0.2			
661 cement	12.7		0.2		3.1	0.4	2.9
292 vege material	11.2	7.1	3.6			0.1	
846 under garment	9.5		9.5				
842 outer garments	9.5		9.4		0.1		
Top 10 as % total	73%	83%	60%	94%	52%	20%	36%

Copper and copper products dominate exports from Zambia (Table 2.6). Again, the EU is the main market, taking nearly one third of the exports. **Note** that there seems to be different data for exports from Zambia for 2001. Statistics Canada report that while Zambia reports exports worth of $393,579 to the UK in 2001, the partner reports no imports of copper from Zambia in that year. Similarly, while Zambia reports Switzerland as the third largest destination for its copper exports in 2001, Switzerland reports no imports of copper from Zambia in that year[6].

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[6] World Trade Analyzer data, *pers com* from Jafar A. Khondaker, International Trade Division, Statistics Canada. In addition, the WTO in their September 2002 Trade Policy Review Mechanism report on

Malawi

Table 2.7 shows that tobacco is the main export from Malawi, with the EU the main market.

Table 2.7: Exports from Malawi to World. US$ m, 2001 Year.

Definitions	Total	EU	USA	SA	Japan	Egypt	Mozam
Total	384.7	142.2	48.8	33.8	33.7	13.3	9.4
121 tobacco	242.1	94.0	38.4	5.5	29.2	10.4	
061 sugar	39.2	18.1	5.7	1.3			6.3
074 tea	36.0	15.2	1.4	6.8	0.2	2.8	
263 cotton	8.0	3.9		1.4			
054 vegetables	5.6	1.6		0.4			
044 maize	4.9						0.8
071 coffee	4.8	4.7	0.1	0.1			
846 undergarments	4.3	0.6		3.6			
782 vehicle parts	3.4			0.1	3.3		
844 undergarments	3.4		1.3	2.0			
Top 10 as % total	91%	97%	96%	63%	100%	100%	76%

Mozambique

Table 2.8 highlights that crustaceans to the EU are the major export item from Mozambique. The next most important sectors and markets are diverse.

Table 2.8: Exports from Mozambique to World. US$ m, 2001 Year.

Definitions	Total	EU	SA	USA	HongKong	Japan	India
Total	374.5	170.4	49.1	26.0	25.4	23.1	21.6
036 crustaceans	111.3	74.9	5.2		9.0	21.3	
263 cotton	31.5	18.6	2.4				3.8
684 aluminum	30.1	30.1					
057 fruit & nuts	29.7	1.3	1.0	13.3			13.9
247 logs/timber	25.1	1.1	0.2		15.0	0.3	
061 sugar	22.5	0.5		11.7			
121 tobacco	14.5	7.2				0.8	
334 petroleum	10.2						
322 coal	9.9	6.0					2.1
273 stone, sand etc	9.5	9.1					
Top 10 as % total	79%	87%	18%	96%	95%	97%	93%

Clearly, the trade from SACU dominates exports, so in aggregate it is the main products from these countries that will be of most interest when considering NTMs. However,

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Zambia state "Japan is the major destination of Zambian exports, followed by Saudi Arabia, Thailand, and India" (page vii). These are major inconsistency and beyond the scope of this paper to reconcile.

several individual products are important to the other, smaller, countries in the region. Consideration must be given to NTMs facing these exports.

SECTION 3: DESCRIPTIONS

NTM categories

A useful means of examining NTMs is to place them into categories. This study has attempted to consolidate them into three (admittedly sometimes arbitrary) broad groupings.

The first grouping is those measures that are put in place to protect the heath and safety of both consumers and the environment in importing countries. These measures are can be and often are viewed as inhibiting trade when viewed from the exporters perspective. This category is:

1. **Health, safety and environment:** measures including import and export bans, SPS requirements, and standards and conformance requirements.

The second group comprise a wide range of regulations that are in place for a variety of reasons. This category is:

2. **Trade policy regulations:** broader policy measures including export assistance, export taxes, import licenses, import quotas, production subsidies, state trading and import monopolies, tax concessions, trade remedies practices (ie. anti dumping, safeguard, and countervailing duty measures). They also include issues such as tariff escalation and issues associated with regional trading arrangements themselves

The third category is not generally regulations *per se*, but rather a wide grouping of procedures and factors that operate in a manner that generally inhibit trade flows. This category is:

3. **Administrative disincentives to export:** customs clearance delays, lack of transparency and consistency in customs procedures, overly bureaucratic (and often arbitrary) processing and documentation requirements for consignments, high freight transport charges and services that are not user-friendly.

This section will discuss these NTMs in general terms. It gives a list that is by no means exhaustive. Some of the NTMs discussed in the subsequent analysis may be generic or common across all sectors.

1. Health, safety and environment

Standards and conformance

A problem for exporters is the diversity of standards among countries. The need to adjust production processes to comply with different standards raises production costs. As the major trading nations tend to have at least some differences in standards, the

concept of mutual recognition raises the question as to which set of standards one should mutually recognise. Joining the wrong "club" may have a cost further down the line if the major "clubs" do not recognise each other's standards. This will impede trade.

The WTO Agreement on Technical Barriers to Trade (the TBT agreement) was one of the Uruguay Round (UR) outcomes[7]. Its objective is to ensure that regulations, standards, testing and certification processes do not create unnecessary obstacles to trade. It does not prevent WTO member countries adopting the standards they consider appropriate in areas such as product safety, labelling and environmental impacts, but it does encourage them to use international norms. It also sets out a code of good practice. The WTO Disputes Settlement mechanism exists by which members can consult on matters relating to the agreement and establish working parties if necessary.

Sanitary and phytosanitary (SPS) measures

The WTO SPS Agreement sets out the basic rules for food safety, and animal and plant health standards. Its objective is to protect life and health while preventing unnecessary trade barriers. Importantly, measures should:

1. be applied only to the extent necessary to protect human, animal or plant life or health;

2. not arbitrarily or unjustly discriminate between countries where identical or similar conditions prevail; and

3. be based on science and must not be maintained without this scientific justification.

Measures must be transparent and not applied in a manner that constitutes a disguised restriction on international trade.

Export and Import bans

Export restrictions[8] directly influence trade flows. An example is the export of unprocessed logs. While often promulgated for environmental reasons, their effect is to encourage downstream processing through the availability of cheaper raw materials. Logs are diverted from export sales to the home market and a wedge is driven between domestic and imported prices. Similarly for import bans.

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[7] See, for example, www.mfat.govt.nz/foreign/tnd/wtonz.html for a more comprehensive discussion of the WTO agreements in this category.

[8] This section is drawn from the OECD Working Paper TD/TC/WP(2003)7, "Analysis of Non-Tariff Measures: The Case of Export Restrictions", April 2003.

2. Trade policy regulations

Export and production subsidies

Underlying free and fair trade is the concept that countries export the goods in which they have a comparative advantage and import others.

Production subsidies are an incentive given to local producers for a variety of reasons, but the overall impact is that domestic production reaches a higher level than would otherwise be the case.

An export subsidy is defined as a subsidy contingent on export performance. Therefore, resorting to export subsidies is an indication that the exporting country is not, by definition, internationally competitive in that sector.

Export and production subsidies drive down the international price of exports, and make efficient operators in other countries worse off because they face subsidised competitors. Trade is distorted.

Subsidies are prohibited under the WTO in manufactured goods, which includes the forestry and fisheries sectors. They have been permitted in agriculture, but an important outcome of the UR Agreement on Agriculture was that some forms of domestic subsidies and all export subsidies were capped at average 1986-1990 levels and reduced over the UR implementation period.

Trade remedies (anti dumping, countervailing and safeguard measures)

Dumping is the introduction of a product to the market of another country at less than the product's "normal value". This practice is not allowed under WTO rules, as it undermines the established industry in the importing country. It actually increases trade. Anti-dumping duties may be applied to counter these effects once it has been established that the practice threatens material injury to the domestic sector of the importing country. The mere existence of anti-dumping remedies may have a "chilling" effect upon trade, although differential pricing is common in many industries (never ask the person sitting next to you in a plane what they paid for their ticket!). Disagreements between WTO members are addressed through the disputes settlement mechanism.

A **safeguard** gives temporary relief when imports increase unexpectedly. They are designed to give domestic producers a period of grace in which to become more competitive. They usually take the form of duty increases or quantitative restrictions on imports. The WTO also has a mechanism for addressing challenges to these measures, and this has been globally active in recent years.

Countervailing measures in the WTO context are special duties imposed on imports to offset the benefits of prohibited or actionable subsidies to producers or exporters in the exporting country. They can be applied only after an investigation showing that the

subsidies are prohibited under WTO rules, there is material injury to producers in the importing country, and there is a causal linkage between these imports and the material injury. As with the other two measures in the trade remedies category, the investigations must be conducted in a transparent manner and there is a disputes mechanism.

It can be seen that there is a linkage between all three of these trade remedies measures. As tariffs have reduced, so the use of these measures has become more common.[9]

Import quotas and licensing

Import quotas are permitted by the WTO for agricultural products and the textile and clothing sectors, but there is limited application for these within the region excepting for South Africa's use of tariff quotas. Rather, the region faces quotas in other markets.

Sometimes licences are associated with import quotas, but they may also be used for other purposes such as foreign exchange rationing or determining if specific import requirements have been met. In many cases licences amount to no more than a formality, but in other cases they can and do create an extra cost to traders.

Agricultural Tariff Quotas

Quantitative restrictions had long been prohibited under GATT rules for manufactured goods[10], but not for agriculture. The URAA formalised access tariff quotas, bringing agriculture more into conformity with manufactured goods. These tariff quotas would not be less than the average annual import quantities for the 1986-88 base period and be provided on terms at least equivalent to those which existed during the base period. This protected existing market access opportunities and, in theory, allowed for increases over time.

In addition, minimum access opportunities were established for products where no significant imports of the product had occurred during base period. These tariff quotas were introduced to ensure that the minimum level of market access in all markets represented not less than three percent of corresponding domestic consumption during the base period, expanding to five percent of domestic consumption by the end of the implementation period. It was agreed that minimum access tariff quotas would be implemented on the basis of a quota with a low or minimal tariff rate, although in practice some in-quota tariffs are still relatively high.

State trading and government procurement

State trading is a procedure under which a government agency has the exclusive right to trade, or has assigned this right to a private monopolist. This situation can apply to either or both of imports and exports.

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[9] An article South African "Business Day", Thursday 16 October 2003 by Gerard Soverall and Riaan de Lange, discusses these linkages and how they are accentuated by currency fluctuations.

[10] With the exception of textiles and clothing, which is discussed in detail later.

Government procurement typically involves a situation in which preference is given to domestic suppliers in public tenders for the supply of goods and services to government agencies. These agencies can operate at the state or local level.

Local content requirements

In return for achieving a certain degree of local content, producers are allowed to import a certain amount of equivalent goods or raw materials at lower or even duty-free prices. This protects domestic suppliers at the cost of importers.

Tariff escalation and classification issues

On the face of it these are tariff issues and therefore by definition not an NTM. However, some consideration needs to be given to the subtle way in which tariffs may be applied.

In the case of both escalation and classification, a tariff is applied in manner that distorts trade flows to an extent greater than the tariff.

Tariff escalation takes place when further processed goods face higher import duties at foreign borders than those levied on the base raw material. The result is that "escalation" (sometimes known as "cascading") of the duties paid inhibits further processing and thereby trade in more elaborately transformed merchandise goods.

An example is the forestry sector, where often logs are generally imported duty-free while processed products such as veneers and plywood face higher duties.

Similarly, tariff clarification issues are potentially a concern in the fisheries sector. This happens when a definition of species and its associated tariffs classification is set in a manner that favours domestically harvested species over foreign species. Trade is distorted.

Regional trade preferences and rules of origin (ROO)

The objective of a Free Trade Agreement (FTA) or the Closer Economic Partnership (CEP) is to foster trading and economic relationships between members.

This trade is increased through two channels: trade creation and trade diversion. Trade creation is the extra trade that results, while trade diversion is merely the substitution of a preferential source away from a non-preferential source, thus distorting flows to non-members. Therefore, by definition, the absence of a trading agreement means that trade is lower than it would be if one were in place.

One area of potential trade diversion is the ROO criteria. These are intended to define where a product is actually made, and in today's increasingly integrated world this is

not an easy question to answer. A particular problem is the complexity and potential restrictive nature of different ROO criteria (the so-called "spaghetti" effect)[11].

The ROO can also affect trade between countries when bilateral policies such as anti-dumping and countervailing duties are in place. They are potentially an extra transaction cost for exporters when their country belongs to more than one trade agreement and these have different ROO criteria.

New empirical work suggests that recent FTAs have diverted more trade from non-members than they have created among members. This finding is consistent with the observation that many of the provisions needed in preferential arrangements to underpin and enforce their preferential nature — such as rules of origin — are in practice quite trade restricting[12].

Labour Standards

A relatively new issue in trade is the developed country concern about labour standards and, in particular, child labour in the developing world. In some cases, requesting African exporters to comply with these conditions in the case of child labour may well deprive many poor families extra income from allowing children do some light safe work without interfering with their education or well-being.

3. Administrative disincentives to export

Excessive customs and administrative procedures

Customs procedures can become excessive or inappropriate if they differ too much from international norms. The result can be delays and extra costs (both directly and indirectly) in processing goods at the border.

Valuation techniques are sometimes raised as an issue. Naturally, the importer will want to place as low a value as possible upon goods at the border, while the importing government will seek to counter this and raise as much tax as possible. Again, the WTO Customs agreement operates to promote a fair, uniform and neutral system for the valuation of these goods. This precludes the use of arbitrary or fictitious values. It plays an essential part in ensuring that correct duties are paid, and acts to avoid regimes based upon, for example, minimum values.

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[11] "Rules of Origin in the World Trading System and Proposals for Multilateral Harmonization", Antoni Estvadeordal and Kati Suominen, paper presented to the APEC Capacity-Building Workshop on Quantitative Methods for Assessing NTMs and Trade Facilitation, October 8-10, 2003, Bangkok, Thailand.

[12] Adams, R., Dee, P., Gali, J. and McGuire, G. 2003, *The Trade and Investment Effects of Preferential Trading Arrangements — Old and New Evidence*, Productivity Commission Staff Working Paper, Canberra, May.

Associated with customs procedures is the issue of irregular payments. These are inconsistent with good governance and have a negative longer-term effect on a nation's economic well-being.

The Standard Bank provides a valuable review of the regulations and administrative procedures to be followed for exporting to a large number of South Africa's trading partners.[13] Many or even most of these steps to follow are of course just the normal manner in which business is transacted, and no judgement is made as to the extent to which any of them represent an NTM. It is likely however that the administration of the measure and not the measure *per se* may, in some cases, represent an NTM though.

[13] See http://www.scmb.co.za/home/ibc/ibc_Countrytradingprofiles.html# for the country tables.

Section 3: Background Information on NTMs in Major Markets

Part A: Trade Policy Regimes in Export markets

The objective of this Section is to provide a general background on the NTMs that are associated with the current major markets for Southern African exports. The source data are mainly the relevant WTO Trade Policy Reviews Mechanism (TPRM) reports. The economies examined are those major external trading partners for the region.

European Union (EU)[14]

As the EU is the world's second largest importer of merchandise goods and the leading importer of Southern African goods its trade policies are crucially important. With EU expansion these generalisations will continue to hold. The WTO reports that the EU market is largely open, with the exception of textiles and agriculture. Both of these exports are important to Southern Africa.

The Agreement on Trade, Development and Cooperation Agreement (TDCA) between South Africa and the EU came into effect provisionally on January 1, 2000. The EU is to give 95 percent of South African exports improved access to its markets over a ten year period, while South Africa pledged to relax restrictions on 86 percent of EU exports over twelve years.

The EU is a major user of trade remedies. Anti-dumping is the main vehicle, although both safeguards and special safeguards (agriculture) are also used.

The EU and member states have put in place new regulations for product safety and waste disposal. These are regarded as significant trade barriers.

The placement on the EU market of genetically modified organisms (GMOs) and products that contain GMOs or their derivatives is an ongoing and unresolved issue.

Several Mutual Recognition Agreements (MRAs) are in place globally between partner countries, but these partner countries do not include any in the Southern African region.

Prior to October 2002 car price differentials to consumers in the EU were high. From that date foreign carmakers should benefit from new distributing and servicing arrangements.

Agricultural subsidies remain at very high levels within the EU. Market access for many products is curtailed by both tariff and non-tariff means, and use of export subsidies undermine third markets of interest to international agricultural exporters like South Africa. Import quotas are widely used for agricultural products. The major

[14] Review held July 2002.

agricultural exports of rice, sugar and bananas remain exempt from the "everything but arms" (EBA) initiative for Least Developed Countries (LDCs).

Balancing these features are two consequences of interest to countries within the Southern African region. The first is that in cases where special access conditions exist economic rents are gained. The second is that some countries in the region benefit from EU subsidised food exports.

Textiles and clothing products are subject to both heavy tariffs and WTO-agreed quotas. Some 20 percent of these quotas have been restricted, but the remaining 80 percent are "back-loaded" for removal at the end of the mandated December 2004 period.

The WTO reports numerous tariff quotas. These concentrate upon cereals, dairy products, poultry products, fruit and vegetables, meat and meat products, and sugar.

United States of America[15]

Most imports either enter the United States duty free or are subject to low tariffs. The highest tariffs apply mainly to imports of agri-food and tobacco products, clothing, textiles and footwear. Tariff quotas apply to imports of beef, dairy products, sugar and some sugar products, peanuts, tobacco and cotton. Out-of-quota tariffs range up to 350%, and some in-quota volumes, including beef, dairy products, and peanuts, are country-specific (reserved for selected countries).

The United States extends tariff preferences unilaterally to many Andean, African (under the African Growth and Opportunities Act- AGOA) and Caribbean countries, as well as under its Generalized System of Preferences (GSP). These preferences can be made conditional to policy changes in the beneficiary countries in areas such as protection of labour rights and of intellectual property.

The United States continues to make active use of anti-dumping, countervailing and safeguard measures. US legislation in this area is contentious.

Quantitative import restrictions in the United States are imposed mainly under the provisions of the Agreement on Textiles and Clothing. Quotas apply to over half of clothing imports and 32% of textile imports. Over 1,000 quotas are applied to 45 countries, including 37 WTO Members. These measures are combined with relatively high MFN tariffs. The WTO reports on tariff quotas for dairy products, cotton, beef, sugar, peanuts and tobacco.

The United States maintains import prohibitions for sanitary and phytosanitary reasons, including as a response to risks posed by Bovine Spongiform Encephalopathy (BSE) and Foot and Mouth disease (FMD).

A central objective of US trade policy is to expand markets for US exporters. Instruments to achieve this aim include trade statutes such as the Section 301 family of laws – to address foreign measures deemed to affect negatively US exports or impair U.S. rights under trade agreements – and export assistance measures. Although used aggressively in the past Section 301 has been used sparingly in recent years.

Trade restrictions imposed by the United States for national security and foreign policy reasons is a source of concern for some trading partners, particularly because of the unilateral nature of certain such measures.

The US domestic (and export) subsidies paid to domestic producers can appreciably impact world markets. The US agri-food sector is the largest recipient of government outlays. Assistance to non-agricultural sectors, notably fisheries, lumber and timber, aeronautics and shipbuilding, is provided mainly in the form of tax incentives.

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[15] Review held September 2001.

Japan[16]

Japan's GSP scheme grants preferential tariff treatment to certain developing countries under the Temporary Tariff Measures Law. In 2001, Japan introduced an expansion of the product coverage of tariff-free and quota-free treatment for goods originating in the LDCs, and all textile and clothing products from LDCs are now duty free and quota free

There are few non-tariff border measures. Those currently applied involve some import prohibitions, import licensing and quantitative import restrictions, for example, on certain fish and silk. Some imports are subject to licensing requirements in order to ensure national security, safeguard consumer health, or preserve domestic plant and animal life and the environment. However, both tariff quotas and certain aspects of the import quota system can be complicated.
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Japan implemented its first safeguard measures in April 2001, imposing provisional emergency tariffs on three agricultural products (although these expired in November 2001). One anti-dumping measure was in force at the time of the TPRM, and Japan has never taken countervailing actions.

Japan continues to bring its standards into line with international standards, and has taken further steps to ensure acceptance of foreign test data and conformity assessments.

Tariff escalation is present in a number of sub-sectors, most notably leather products

State trading activities in Japan involve leaf tobacco, opium, alcohol, rice, wheat and barley, milk products, and raw silk

Japan has moved toward increased deregulation and international harmonization of its standards and technical regulations and the adoption of mutual recognition arrangements. There are specifications and standards for genetically modified foods, and imports need approval.

Tariff quotas apply to dairy products, rice, wheat and barley, silk-worm cocoons and raw silk, prepared edible fat, and starches. In-quota imports of rice, wheat, barley, certain milk products, and raw silk are handled mainly by state-trading entities.

The support received by farmers and the consumer prices of agricultural products in Japan remain above the OECD average. The data indicates that gross farm receipts (including support) were more than twice as high as they would have been if generated at world prices without support. Similarly, consumers were paying on average more than twice as much as they would have paid in the absence of market price support to producers.

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[16] Review held November 2002

Canada[17]

As the world's fifth largest trader, Canada generally has an open trading regime. There are however exceptions to this. These exceptions include policies impacting on imports or potential imports from Southern Africa.

The trading regime is heavily weighted towards the US; some 85 percent of exports are destined there and the US is the source of 66 percent of Canada's imports. Other preferential partners include Mexico and Chile, with the latter potentially important as a competitor to South Africa in seasonal produce.

Two of the most heavily protected sectors are agri-food and clothing. In the former dairy and poultry products are protected through a quota management system, with imports strictly regulated, while in the latter sector import quotas affect around half of all imports by value. Federal and provincial government-owned enterprises hold special or exclusive rights to alcoholic beverage trading.

Agriculture remains a sector with medium but uneven rates of protection. Several sectors operate at close to world price levels, but dairy and poultry receive very high rates of assistance. Income support and insurance subsidies are the major means of direct support, while import protection shields dairy and poultry producers. The WTO reports tariff quotas for cereals, dairy, poultry products, beef and margarine.

Canada makes frequent usage of trade remedies, and in particular anti-dumping measures. In March 2002 Canada also initiated its first safeguard investigation on steel imports.

The government-owned Canadian Wheat Board has a monopoly on both domestic sales and exports from Canada in wheat and barley products.

[17] Review held March 2003.

Korea[18]

Since the Asian economic crisis of 1997 Korea has undergone a degree of macroeconomic and structural reforms, and this has included some trade policy reforms. As a result Korea is now a more open market for many manufactured goods but remains a protected market for agricultural and livestock products.

The tariff is an important source of revenue for the Korean government, and the average applied MFN rate of 13.8 percent is high by international standards. The average for manufactured goods is 7.5 percent, considerably lower than the agricultural equivalent of around 50 percent. There is a degree of tariff escalation, and the tariff itself is a complex instrument.

Non-tariff measures are mostly confined to agricultural products and livestock. As these are the very sectors that face the highest tariffs, this indicates that should tariffs reduce then NTMs are likely to become more pronounced in these sectors.

Import restrictions other than WTO agricultural tariff quotas have largely been abolished. Export restrictions have similarly been largely eliminated.

Trade remedy action is used, with anti-dumping, safeguard and special safeguards all active.

Efforts are being made to reduce the impacts of standards on trade. These include reforms to shelf-life labeling, dual-price marking reforms and the easing of mandatory requirements on automobiles.

State involvement in the economy is being reduced, although the activities of producer cooperatives and state-trading entities continue to represent an NTM in the sensitive agricultural sector in particular. There are also mandatory cross-subsidies of some sectors such as the coal sector.

Government assistance to the agricultural and livestock sectors remains high and pervasive. There are 66 tariff quotas on a very wide range of products. These concentrate upon cereals, dairy, many fruit and vegetable products, live animals and meat, and include many products of interest to South Africa.

[18] Review held July 2000.

Switzerland[19]

The main trade policy instrument is the Swiss-Liechtenstein customs tariff. This tariff consists entirely of specific duties, which, in itself, can act as an NTM as the percentage rates vary according to world prices and currency exchange rates. Overall, the simple average is around 9 percent as measured by ad valorem equivalents, but these rates are highly dispersed. Rates of several hundred percent apply to out-of-quota imports of meat and poultry, for example.

Agriculture, although a small part of the Swiss economy, is possibly the most heavily supported and complex in the world. Around three quarters of farm receipts are provided directly or indirectly from government. There are tariff quotas in place for most agricultural imports, and the "prise en charge" system mandates that the allocation for several of these tariff quota imports is dependent upon local purchase as well.

The Swiss maintain non-automatic import licensing for tariff-quota imports and automatic licensing for out of quota imports, but the Swiss regulations often allocate quotas in such a manner as to reduce imports. There are mandatory reserve stock requirements on certain imports (including gold).

The Sanitary and Phytosanitary (SPS) regime varies depending upon the source of imports.

Standards are basically harmonized with the EU, and although the import of manufactured goods is generally not restricted there are major NTMs that restrict motor vehicles and chemicals.

Trade remedy measures are lightly used.

Export restrictions have mostly been removed, although there are controls on the export of products containing gold.

[19] Review held January 2001.

Norway[20]

Norway has been included for the reason that South Africa may soon be negotiating an FTA with EFTA, and Switzerland and Norway are the two major countries in that block. Therefore, this section should be read in conjunction with the previous review of Switzerland.

Norway has a very liberal trade regime except in agriculture. Most of the trade is conducted duty-free under the European Economic Area and other preferential arrangements, and some 73 percent of the industrial tariff lines are bound at zero. This gave an average Most Favoured Nation (MFN) rate of 2.3 percent on industrials in 2000.

In contrast, the average MFN rate on agriculture was 38.7 percent during the same period, and Norway has over 230 tariff quotas registered under the UR agreement on agriculture. Some preferential access is given to developing countries in agricultural goods. Norway is a member of some FTA arrangements, but these agreements do not provide for preferential access to processed agricultural products.

In agriculture the substantial border protection is combined with price support measures. The resulting assistance level is such that it nearly matches value added in the sector, or a producer subsidy equivalent (PSE) of nearly 100%. This gives Norway, along with Switzerland, the highest agricultural protection rates in the world. Dairy products and meat are especially highly supported, and they account for three quarters of the value of these supports. The high support levels are being replaced by direct income payments, although unless they are decoupled from production the net result will be similar. Norway is a champion of the so-called multifunctionality argument that agricultural support is beneficial to the environment and many other aspects of a civil society, an argument that has few supporters in the Cairns Group. In the final analysis Norway still has a self-sufficiency ratio in foodstuffs of under 50 percent, the lowest in Europe, despite the extensive protection and support to some sectors.

Quantitative restrictions (other than the agricultural quotas) have virtually been eliminated.

Norway had not been a user of trade remedy measures during the period under WTO review, although safeguards would be applied if beef from developing countries exceeds 2,700 tonnes. The SPS measures have largely been harmonised with the EU, although in some cases they are stronger.

The US reports in its 2003 review of Norway that customs procedures can and do result in the delays of perishable agricultural products from the US and other non-European suppliers.

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[20] WTO TPRM June 2000.

Australia[21]

Australia has continued to reduce trade restrictions and distortions, although import prohibitions or stringent quarantine/permit/inspection procedures apply on more than 150 agricultural products and a few other items. There have been complaints from some countries that the SPS regime makes seeking market access long, costly and uncertain[22].

Following institutional and procedural changes, recourse to a formerly high level of anti-dumping and countervailing action has dropped, and no safeguard measures were adopted during the period under most recent WTO review.

State involvement and export controls have been maintained in dairy products, grain, wheat, barley, rice, horticultural products, dried fruit, sugar and wool, and there are tariff quota commitments covering cheese and manufactured tobacco.

Export assistance and tax concessions have been maintained and revised. Free trade zone incentives are tailor made for each case.

Support for production and trade in agriculture has been provided through tax and non-tax incentives, with increased emphasis on research and development spending. Direct financial, tax or institutional assistance to exports of goods and services is increasing, but assistance to exports of manufactured goods is declining. Australia maintains an export assistance programme and provides widespread but modest assistance to domestic agricultural producers.

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[21] Review held September 2002.
[22] "Trade Policy Review: Australia 2002", World trade Organisation, January 2003, Section IV: 17, page 88.

Israel[23]

The bulk of Israel's trade (three quarters and increasing) is conducted within the framework of its FTAs. These FTAs have moved Israel towards a more open regime; while the simple average applied MFN tariff rate was 8.8 percent in 1999, the actual collection rate of tariff was only 1 percent in 1998.

These preferences apply mostly to manufactured goods, as the agricultural sector is protected by a high degree of government intervention and depends upon subsidies, cheap water and protected markets for most products. This protection includes both high MFN tariffs, agricultural product exclusions from the FTAs and import quotas.

Clothing and footwear also has above average tariff protection, and tobacco products are subject to additional taxes.

Other NTMs include import licensing and a very limited use of anti-dumping, countervailing and safeguard measures. Standards are increasingly being aligned to international standards. Export subsidies now only apply to cut flowers.

Customs valuation procedures have been modernized, the "harama" system that increased import values by between 2 and 10 percent before tariffs were calculated has been abolished, and clearance procedures have been improved.

There are WTO tariff quotas applying to cereals, dairy products, fruit juices, sheepmeat, live animals, walnuts and prunes.

The **US** reports that the importation of meat requires a kosher certificate, and this is an expensive and complex process. Similarly, the importation of wine faces numerous NTMs.

[23] Review held September 1999.

India[24]

Recognizing the linkages between trade and growth, the government has simplified the tariff, eliminated quantitative restrictions on imports, removed all restrictions on imports that had been maintained for balance of payment reasons, and reduced export restrictions. Unfortunately, these reforms seem to have stalled, although there is an acceptance in India that they need to continue in order to promote growth.

The customs tariff is now the main form of border protection. This however remains a very complex document. In addition to the Basic Customs Duty, various additional duties and charges apply. The Special Additional Duty (SAD) continues to be a main source of concern, since it results in a discriminatory treatment of imported goods. The major change on the excise front has been the introduction of a single rate of Central Value Added Tax (CENVAT) in replacement of the previously existing ad valorem excise duty rates. India also, in the 2003 Budget increased the Service Tax from 5 percent to 8 percent.[25] Effective tariffs remain very high, and there is substantial escalation in many sectors.

India is a major user of trade remedies, with several hundred anti-dumping measures being invoked in recent times.

There are also subtle NTMs such as the requirement that automobiles can only enter through designated ports.

Subsidies are rife though decreasing in the domestic sector. Agriculture in particular is shielded by several means, including the high tariff regime that was raised as a result of the removal of import restrictions. There are a wide range of price and distribution controls, and pervasive state trading activities.

Although not mention specifically by the WTO, India's bureaucratic process is legendary, and this, in itself, acts as an NTM (The US describes the system as "a cumbersome and non-transparent regime"). The US also considers that India's SPS regime is not WTO consistent.

In a comprehensive and forward-looking paper on export prospects from the region Krakoff[26] looks at some NTMs facing exporters in general, and in India (the "License Raj") in particular. He outlines the complexities of the Indian Customs procedures, and concludes that India's NTMs are, along with China's and Egypt's, among the worst.

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[24] Review held June 2002.

[25] This paragraph is from the European Union's website of NTMs at www.mkaccdb.eu.int

[26] "SADC: Key Potential Export Markets And The Market Access Barriers Facing Exporters", by Charles Krakoff. Presented to the Southern Africa Trade Regional Network Symposium, Maputo, Mozambique, November 20-22, 2003

MERCOSUR[27]

The Parties of Brazil, Argentina, Uruguay and Paraguay established a common market at 1 January 1995. It involves the free movement of goods, services and factors of production between countries, the establishment of a common external tariff (CET) and the adoption of a common trade policy in relation to third countries, and the coordination of macroeconomic and sectoral policies between the parties.

Brazil's main trade instrument is the tariff, and during 1997 the rates were increased to bring them into line with the CET, although the increase should be finally removed at the end of 2003. The CET's history in recent years has been a little checkered as members are being buffeted by economic and currency crises, and it still lags full implementation. Brazil has negotiated some exemptions and "side deals", and in particular on vehicles and parts, both within the CET and with third countries.

Brazil is an active user of anti-dumping measures, and in turn has been the target of many such measures itself. Export promotion is widely used to compensate for domestic infrastructure inefficiencies. Import licensing applies to some goods. The MERCOSUR countries are not users of agricultural tariff quotas, and indeed Brazil's frustration with access into developed markets lead to its leadership of the Cancun group demanding better trade access internationally.

The US[28] considers SPS measures to be a barrier in both Brazil and Argentina.

The feature of recent trade policies in Argentina has been the reversal of some policies and the general confusion following the severe economic crisis that came to a head in 2002. Disruptions to the foreign exchange market and resulting currency restrictions when the peso dropped to one third of its peg dominated almost any other trade policies. Delays of several months occurred in getting funds at times, and this lead to charges of administration irregularities at times.

Tuck Business School reports that import licensing now only applies to automobiles and their parts, and that customs procedures are cumbersome and time-consuming, thus raising the cost for importers[29].

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[27] Brazil's WTO TPRM was in November of 2000. Argentina's last TPRM was in January 1999, and given the four year lag and the dramatic developments in Argentina over that period it has not been incorporated into this section..

[28] Comments are incorporated from the US Foreign Trade Barriers survey of 2003 for both Brazil and specifically Argentina

[29] Dartmouth College, Tuck School of Business, at http://www.dartmouth.edu/tuck/fac_research/centers/cib_emai.html

Part B: Trade Policy Regimes in the Southern African Countries

The objective of this section is to provide a general trade policy overview for countries within the region. This is to offer some balance to Part A, which looks at trade policy regimes in export markets. Part B in effects holds up a mirror to countries in the region.

The Regional Groupings and Associated Trade Preferences

To put the regions trade policy in perspective and to assist in analyzing NTM faced by the 11 countries in the region it is necessary to examine the regional groupings, their general policies and what preferences regional countries gain in the form of better access to the main markets.

The Southern African Customs Union (**SACU**) has been in place since 1910, and it is the world's oldest customs union. Its five members of South Africa, Botswana, Lesotho, Namibia and Swaziland combine to have a (declining) GDP of US$124 billion in 2001, a GDP that dominates Southern Africa. SACU is, as the name implies, a customs union, whereby a common external tariff is set and revenue sharing from these tariffs operates according to a formula. Under the SACU Agreement, which was revised in 2002, members are free to enter into trade agreements with outside countries.

All 11 countries in the region are members of the Southern African Development Community (**SADC**), along with 3 others. The objectives of SADC include the achievement of development and economic growth, alleviating poverty, enhancement of the standard and quality of life of the peoples of Southern Africa and the support of socially disadvantaged through regional integration. Importantly, the trade protocol makes it clear that member countries cannot offer trade benefits to a third country without immediately extending them to all SADC members.

The Common Market for Eastern and Southern Africa (**COMESA**) has Zambia, Zimbabwe, Malawi, Mauritius and 13 others as members[30]. Its objectives are for the elimination of tariff and non-tariff measures between members, and a common external tariff and general trade policy regulations. Some progress is being made, with Malawi, Mauritius, Zambia and Zimbabwe members of the core FTA within COMESA. Other members are involved to varying degrees.

In addition, there are some bilateral arrangements within this general framework. The most significant of these is the Trade, Development and Cooperation Agreement (**TDCA**) between South Africa and the EU. This provides for a free trade area by 2012, although with several significant exceptions for EU products into South Africa and agricultural products into the EU. The EU will liberalise 95% of its imports from South Africa in ten years, starting from 1 January 2000, when the TDCA came into force. The bulk of industrial products will be liberalised during the first part of the tariff phase-down period, and the EU is scheduled to complete most of its obligations by 2006.

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[30] Namibia and Swaziland from SACU recently withdrew as members of COMESA.

These overlapping agreements are becoming increasingly complex.

Trade access preferences to outside markets concentrate upon 3 major agreements. The first of these is the international Generalised System of Preferences (**GSP**) schemes, under which industrialised countries grant trade preferences to all developing countries. This is usually in the form of lower tariffs, although coverage varies by importing country as several exceptions are in place to protect sensitive products. It is often these sensitive products that are important to developing countries. South Africa in particular is a major beneficiary of the GSP scheme internationally[31]. Some industrialised markets differentiate between LDCs, and offer the poorer members even more preferences. The EU's EBA initiative is an example of this.

However, a recent World Bank paper[32] argues that the changes introduced by the EBA in 2001 are relatively minor for the currently exported products. Over 99 per cent of EU imports from the LDCs are in products which the EU had already liberalised and the complete removal of barriers to the key remaining products, rice, sugar and bananas has been delayed. The paper considers that more simple rules of origin are likely to enhance the impact of EU trade preferences both in terms of improving market access and in stimulating diversification towards a broader range of exports, thus reinforcing that rules of origin are an NTM.

In addition to this international provision, there are two major preference schemes of importance to Africa. The first of these is the **Cotonou Agreement** (an extension of the old Lome Convention) with the EU, whereby all countries in the region except South Africa have non-reciprocal trade preferences into the EU, but subject to a safeguard clause and rules of origin. This access includes special access for bananas, beef and veal, and sugar. The agreement is for the period to 31 December 2007. However, supply side constraints, restrictions upon sugar and rice imports and the potential trade remedy legislation associated with EBA makes it a moot point as to whether there will actually be major benefits to the region.

The second is the **AGOA**, between the US and some sub-Saharan African countries. This is significant for the extra provisions available for textile and clothing products in particular from many countries in the region, but the conditions applied (including rules of origin) may limit its benefits. All countries in the region except Zimbabwe are among the 38 eligible African countries.

Southern African Customs Union (SACU)[33]

[31] The US Department of Commerce reports that South Africa was the world's eight largest GSP beneficiary, with benefits of US$553.5 million in 2001. At www.agoa.gov/resources/TRDPROFL03.pdf

[32] "Integrating the Least Developed Countries into the World Trading System: The Current Impact of EU Preferences under Everything But Arms", Paul Brenton, International Trade Department, The World Bank, 1818 H Street St. NW Washington DC 20433.

[33] SACU WTO TPRM, March 2003.

Although the five members discussed above have different economic and development profiles, they have the problems of poverty alleviation and income redistribution, HIV/AIDS and high unemployment rates in common. The common tariff schedule (with its associated common revenue pool) has been simplified (although it still remaining complex with many specific and formula rates), and the simple average MFN applied rate declined from 15 percent in 1997 to 11.4 percent in 2002.

The trading regime within the SACU members is very complex, as there are several overlapping trade agreements and different eligibility for partner preferences. For example, Lesotho is eligible for the EU EBA initiative, while Botswana, Lesotho, Namibia and Swaziland (BLNS) are eligible for better US access for textiles and clothing under the US AGOA. This complexity, accentuated by differing memberships in actual or potential bilateral agreements with possible rules of origin (ROO) criteria, adds to the costs of doing business and could be classified as an NTM in its own right. The import regime is made even more complex by the differing excise taxes, levies and value-added taxes set by the individual members.

BLNS have no competition policy, and in areas such as standards and technical regulations and SPS measures, the South African regime becomes the *de facto* regime for these countries. They do however have some autonomy in procurement regimes, some import quantitative restrictions, infant industry protection, taxation concessions and tariff bindings. Similarly, BLNS are participants in the numerous anti-dumping actions taken by South Africa without the structures to initiate their own actions (and this includes against South Africa). There is a range of tariff quotas applied to large number of agricultural imports and also some export restrictions applied from South Africa.

The monetary and exchanges rate policies are led by South Africa, with all except Botswana having a freely convertible currency at par with the Rand.

The BLNS Specifics: Trade and Trade Policy

Diamonds dominate exports by commodity, and Europe dominates as the destination (both around 85%). Imports are more diverse, with SACU the main source (77%). **Botswana** requires non-automatic export licenses for agricultural products, unpolished diamonds and hides, and import licenses are similarly required for some agricultural products. Imports of pork are banned, and imports of some vegetables, meat and dairy products are seasonally banned. A number of schemes operate to provide tariff exemptions and industrial rebates for intermediate inputs used in goods for export to non-SACU destinations, and a number of industrial incentives are available. The Botswana Meat Commission has an export monopoly on meat exports to the EU, and many former trade monopolies now operate in competition to the private sector.

Lesotho has few direct trade policy levers of its own. Importers are required to register, and to comply with the new access for textiles and clothing into the US under AGOA a

licensing and visa scheme has been introduced for these products. There are no export taxes, and only diamond exports are subject to sales tax. Export data is unreliable. The WTO concludes that in 2000 99.6 percent of exports were destined for SACU (mainly South Africa) and the US (textiles and clothing). Imports were sourced mostly from SACU, with around 19 percent from Asia and the remaining 5 percent from "other".

Mining commodities (diamonds) and fish products dominate **Namibian** exports, with Europe (55%) and South Africa (31%) being the main destinations. Imports are more diverse and evenly spread by commodity, and SACU (86%) dominates as a source. Importers must have a permit and be a Namibian resident, and in most cases import licenses are required. There are generally automatic licenses, but some non-automatic licenses apply tariff quotas apply to some agricultural products. Export licenses are required, but again these are usually automatic except for some agricultural and mineral products. Again, a number of tariff exemption and concessions are available to manufactures on intermediate goods for final export outside of SACU, and taxation advantages and incentives are available to exporters.

The Kingdom of Swaziland has all the characteristics of a dual economy, and is a small land-locked country with high levels of poverty and income inequality. South Africa is the source of nearly 90 percent of the exports and the destination of around 55 percent of its exports. Trade to the rest of the world largely offsets this bilateral current account deficit in merchandise goods. Sugar (mostly to the EU) and sugar-related products are the major export, although in recent years clothing exports have increased. These exports are heavily dependent upon preferential access into the EU, US and South Africa.

The inter-action of various regional trade and economic linkages, plus the SACU/South African dominated trade policy regime makes for a complex administrative system. There are no trade remedy regulations in existence. Import levies and controls exist on some basic agricultural products, and these and a few others require import permits. There are currently sales taxes on some goods but no general VAT, although there are plans to adopt a VAT regime shortly. Swaziland has no export subsidies other than a small export credit scheme and some general trade promotion activities offshore.

Non-SACU Countries: Trade and Trade Policy

Tanzania[34]

As shown in Table 2.5, the main trading partners are the EU, Japan, India and Kenya. The main exports are primarily precious minerals (gold) and agricultural commodities. Imports are mainly machinery and transport equipment, industrial raw materials and consumer goods.

[34] WTO TPRM, February 2000.

Tanzania has reformed its trade policy in recent years, leaving the tariff as the main instrument. The rates are based on a five-tier strategy with rates of 0%, 5%, 10%, 20% and 25%, with a simple average applied rate of 16.2%. This tariff structure leads to substantial effective rates of protection to further-processed goods. There is also a VAT of 20% and some excise duties. The tariffs and VAT contribute a major share of government revenues despite a collection rate of little more than half through various exemptions.

Export restrictions; import quotas, bans and licensing; and foreign exchange controls have been eliminated. Most standards are voluntary and based upon international norms where possible. Trade facilitation improvements in recent years have greatly assisted trade, and in general a much friendlier environment now exists for traders.

Mozambique[35]

Table 2.8 shows Mozambique's main trading partners to be the EU, South Africa, the US, Hong Kong and Japan. Exports are primarily resource commodities; specifically seafood, sugar cane, cashew nuts, tobacco, and cotton, minerals and forestry. Transportation equipment, machinery, mineral products, and foodstuffs are the major imported products.

The country has made a determined effort to create an environment that is conducive to private investment, both domestic and foreign. The reforms have significantly liberalized the trade regime that is essentially based on tariffs. These tariff rates currently range from 0 to 30%. The simple average applied MFN tariff is 13.8%, among the lowest import duties in southern Africa. A 17% VAT was introduced in 1999, and excise taxes are levied on automobiles, luxury goods, alcoholic beverages, and tobacco products.

Most export restrictions and foreign exchange controls have been eliminated. It has no national legislation regarding anti-dumping, countervailing, or safeguard measures. Except for the sugar and cashew nuts the Government has withdrawn from its previous direct involvement in production, processing, and marketing activities. There are export processing zones and other incentives to set up to promote local processing of natural resources and the development of export oriented and labour intensive manufacturing activities.

Zambia[36]

Table 2.6 highlights the importance of copper and its associated products (including the by-product cobalt) as the main export and both the EU and South Africa as the main export destinations. A particular problem for Zambia is that its copper industry has been declining and in difficulties for several years. South Africa is the main supplier of imports, followed by Zimbabwe.

The tariff is set in four bands of 0%, 5%, 15% and 25%, with the 15 percent applying to one third of imports and the 25 percent to consumer and “non essential” goods. The simple MFN average was 13.4 percent in 2002. There is a 17.5 percent value-added tax and excise duties on some products. The WTO-inconsistent 5 percent import declaration fee has been eliminated, as have all export taxes and quantitative restrictions. Export prohibitions apply to some logs, and gemstones and timber are subject to special export controls. Safeguard legislation is being drafted. Various export incentive schemes are available.

[35] WTO TPRM, January 2001.
[36] WTO TPRM 25 October 2002.

Malawi[37]

Primary products, overwhelmingly tobacco, account for most of Malawi's trade (Table 2.7). The EU is the main export destination, followed by the US and South Africa. South Africa is the main source of imports, followed by the UK and Zimbabwe. Malawi's other regional trade is relatively minor.

The simple average MFN tariff was 14 percent in 2000/01. There are 6 bands, from zero to 5 percent for necessities to 25 percent for consumer goods. The widespread use of exemptions, rebates and duty drawbacks is not very transparent, and the WTO considers that this provides distortionary levels of protection to local industry.

Import documentation has been simplified, but minimum prices do exist on some imports. Many other NTMs such as import quotas have been removed, and the WTO considers that the restrictions that remain do not constitute NTMs. Safeguard legislation is being updated, and Malawi intends to make greater use of these remedies. Similarly, the export regime is relatively open, and such measures that remain meet international norms. Exports are assisted through various schemes.

Mauritius[38]

Sound economic policies and preferential access into the EU for its predominately sugar and clothing exports have contributed to this small island nation being one of the few (along with Botswana) economic success stories in Africa. In recent times the export of garments to the US under AGOA has also helped, as has the various export incentive schemes over the last few years. Imports are from diverse sources, with only France provided more than 9 percent of the total, with the EU supplying around one third.

Although Mauritius has continued to implement trade-related reform, its border protection remains high on many items. The simple average MFN rate is around 20 percent, but given that over half of all lines are zero rated this implies some very high rates. A value-added tax of 10 percent has been introduced in recent years. Customs duties and taxes now account for 50 percent of government revenues.

A number of products are subject to import bans or controls, and import quotas apply to potatoes and salt. State trading is common in some strategic agricultural products.

There is no legislation on contingency trade remedies. Various incentives are available to encourage the international competitiveness of local manufactures.

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[37] WTO TPRM 8 February 2002.
[38] WTO TPRM 5 October 2001.

Zimbabwe

There is no reported WTO TPRM relating to Zimbabwe. In recent years the country has been going through a period of severe economic distress. This has resulted in rampant inflation and a chronically over-valued official exchange rate as judged by the almost universal black market transactions outside of the official system. Exports have been decimated. Scare hard currency has similarly heavily curtailed imports, and particularly so for basic foodstuffs and other essentials.

The manner in which traditional exports are besieged by a host of difficulties has sounded a wake-up call on Zimbabwe. Tobacco exports, the main export item, have plummeted as a result of the severe disruption in agriculture. This has been accentuated by Zimbabwe's exclusion from AGOA benefits because of political reasons and the curtailment of beef exports following a foot and mouth disease outbreak.

Section 4: Sector Specific NTMs

4.1 Minerals and Mineral Products

The Big Picture

The mining sector remains the heart of South Africa's economy. It accounts for around a third of the capitalisation of the Johannesburg Securities Exchange, and mining contributed 21 percent to South Africa's exports in 2001 (although down from 31 percent in 1999).

South Africa has the world's largest known reserves of gold (as well as manganese, platinum, chromium, vanadium and alumino-silicates). From a market share of global gold production of 67.7 percent in 1970 South Africa's share has been steadily reducing to around 16.6 percent in 2000. In production terms the decline has been about from over 30 million ounces in 1970 to about 12 million in 2001.

South Africa produced about half of the global platinum group metals in 2001, and in that year the platinum group metals overtook gold as the leading export item[39] (followed by coal). The Republic is the world's second largest exporter of coal, and the sixth largest producer. Much of the production is used to produce electricity, so the flow-through impacts of coal to the economy are very large.

Table 2.2 shows that gold, coal and diamond occupy the top three places in exports from SACU (as noted, platinum data is suppressed). Pig iron, ores not elsewhere specified and aluminium are also included in the top-ten. September 2003 data shows that South Africa holds just over a one percent share of the highly distorted world steel production. In addition, gold is the top export from Tanzania and copper dominates Zambian exports.

As a general, but not absolute guide, very low or zero tariffs indicates that NTMs are unlikely to be a problem. Analysis of the EU, US, Japanese, Korean and Taiwan tariff schedules show gold, diamonds and platinum products to be duty free except into Korea, where they face duties of 3 percent for gold and between 1 and 5 percent for diamonds depending upon the degree of processing.

For coal, an analysis of the EU, US and Japanese tariffs shows coal to be duty-free. Similarly for Malaysia and Taiwan, while both Korea and Thailand has a duty of 1.0 percent. Pig iron generally has duty free access into the major economies (NTMs are prevalent in processed iron and steel though), while aluminium and copper face tariffs from zero to a high of 6 to 7.7 percent for copper into the EU.

[39] Note that platinum export data is suppressed in official trade data, although obtainable from the Department of Mineral and Energy Affairs. Thus Table 2.2 does not list these exports. For 2002 these exports were 30.6 billion Rand.

Diamonds

The international diamond cartel was established in 1888 and is controlled by the South Africa-based De Beers Corporation. Most of the major diamond producers belong to or have cooperated with this cartel. In the last decades of the 20th century, however, De Beers' hold over the unpolished diamond market decreased, and in 2000 the company announced it would end to its policy of controlling diamond prices through hoarding and shift its focus to increasing sales. Currently there are signs that the world's only really successful cartel may finally be losing its effectiveness as De Beers is being forced to buy the considerable excess supply of (mostly Angolan) diamonds in order to maintain prices.

Clearly, there is a major NTM in the diamond market; and it is the South African-lead cartel and the region has benefited from this. Both Malaysia and Russia have import licensing in place for precious and semi-precious stones, and these are the only NTMs identified outside of South Africa itself.

Gold

Gold is unique in that it is the only merchandise export that is counted in export statistics even though it may not leave the host country. Registration of a change of ownership in the vault constitutes an export by international convention. It is also unique in that it has both a consumption value (jewellery, industrial and dental) and an investment/currency reserve function. Does the latter represent an NTM inhibiting trade in gold? At their peak in the 1960s official gold stocks reached about 38,000 tonnes. This has reduced since to around 30,000 tonnes. At current (2000) production of 2,573 tonnes, this represents more than ten years production[40].

The world's two most populous countries of China and India have both recently deregulated their gold markets[41]. These two countries rank as the 3rd and 1st largest consumers of gold respectively (with the US 2nd), and their liberalisation is likely to remove a major NTM inhibiting the direct consumption of gold. There are no NTMs related to gold listed in the OECD database.

Coal

Both SACU and Mozambique have coal as one of their top-ten export items. In both cases the EU is the main market, followed by Asian markets. While, as shown above, coal generally faces zero tariffs into the major markets, the extent to which both domestic and international prices are distorted through taxes relative to other energy sources is a moot point. In general, coal is a "dirty" fuel with respect to greenhouse gas

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[40] The 2000 production of 2,537 tonnes was less than the 3,644 tonne actual jewellery, industrial and dental usage during the same period. This shows that stocks were contributing about one third of the "disappearance" in 2000. Thus, stocks are influencing world price.

[41] World Gold Council, homepage on www.gold.org

emissions. To neutralise environmental externalities the energy taxes should be higher than other, cleaner, fuels. This is not the case internationally.

The major market for SACU coal exports is the EU, with a 61 percent share. The distorted nature of the EU coal market is such that in 2001 government aid to the industry amounted to Euro 6.3 billion. To put this in perspective, this was Euro 162.49 per tonne of coal produced. The international market reference price during the same period was about Euro 47 per tonne[42]. However, extreme though this situation is, the quantity of subsidised coal in the world is less than 2 percent of world production and about 10 percent of internationally traded coal[43]. Germany, which receives about 75 percent of the EU coal subsidies, is the crucial market. Although purchasers of coal (mainly the large electricity generators) are free to purchase from any source now, Porter[44] considers that the removal of these subsidies would lead to substitution to imported coal.

Exporting coal to a market where the traded price is about one third of the subsidy level to a large component of the domestic production certainly constitutes an NTM.

An analysis of the OECD database reveals few other NTMs inhibiting the coal trade, and even fewer in markets that are likely to have any impact on world trade. These NTMs are a state monopoly and import licensing in Bulgaria, import licensing in the Czech Republic and the Philippines, a tightly controlled and subsidised regime in Poland and "buy local" legislation at the state level in the USA.

Copper and Aluminium

There is little evidence of NTMs in this sector. The OECD database suggests that Australia subsidies its exports of aluminum (similarly, although not reported as an NTM, New Zealand provides a significant part of its electricity to Camalco for aluminum smeltering at a long-term contract price that is well below the marginal cost of electricity). Korea has elements of state trading in these products, while Russia levies export subsides on its exports of copper and nickel products. .

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[42] "IEA Work on Defining and Measuring Environmentally Harmful Subsidies in the Energy Sector", K. Varangu, IEA, Energy and Environment Division, Paris. A paper presented to the OECD Workshop on Environmentally Harmful Subsidies, 7-8 November 2002, Paris. On the web at www.oecd.org/agr/ehsw

[43] This figure from Varangu seems to ignore the extent to which Chinese coal production and exports are subsidized. It is more likely that these data refer to European subsidized coal only.

[44] "Subsidies and the Environment: the State of Knowledge", Gareth Porter. Another paper presented to the OECD Workshop on Environmentally Harmful Subsidies, 7-8 November 2002, Paris. Also on the web at www.oecd.org/agr/ehsw

4.2 Manufactures

The Big Picture

The main export sectors of South African manufacturing are automobiles and their associated parts sector, textiles and clothing, food processing and beverages (covered in this report under the agriculture and food products), mineral-based industries, machinery and equipment and pulp and paper. Although the domestic sectors are growing relatively slowly in recent years, the export growth has been better. Tariff protection for these sectors is reducing; the WTO reports that the simple average MFN rate has reduced from 15.6 percent in 1997 to 11.8 percent in 2002, although textiles and clothing rates are still around 30 percent.

Automobiles

In 2001 South Africa held a global market share of 0.27 percent in the export of automotive products. This was down from 0.30 percent in 2000.[45]

Complex duty drawback and similar schemes, export incentives and international multinational transfer pricing and practices all combine to make automobiles a complex sector internationally. In many countries the domestic sector has iconic status, but this is usually only possible behind high tariff and NTM walls. Similarly, the automobile parts industry is often operates through a complex set of domestic production and international marketing arrangements assisted by NTM and outright tariff protection. An examination of the data reveals that automobiles are protected by almost very NTM known to other sectors and then a few more ingenious ones as well.

A useful starting point to demonstrate the complexities of trading arrangements in automobile and automobile parts is the domestic sector in South Africa. The Motor Industry Development Programme (MIDP) of 1995 built upon previous South African automobile policy foundations. Its objectives are to improve the international competitiveness of the sector, enhance export growth and stabilise employment in the sector. The key element is a scheme that allows both vehicle and component manufactures to earn (tradable) credit from export that can be used to offset import duties on vehicles or components[46]. There is uncertainty as to the overall welfare benefit to South Africa of the MIDP[47].

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[45] WTO at www.wto.org

[46] Industrial Policy in Developing Economies: Developing Dynamic Comparative Advantage in the South African Automobile Sector:, Justin Barnes, Raphael Kaplinsky and Mike Morris, May 2003. Available at www.ids.ac.uk/ids/global/pdfs/RJ&JB03

[47] Barnes *et al*. argue that the benefits are positive, but Flatters (http://qed.econ.queensu.ca/pub/faculty/flatters/main/writings.html) takes an opposing view. Regardless, this scheme demonstrates the complexities of NTMs that operate in a seemingly open market.

The scheme was to have been terminated in 2000 for medium and heavy commercial vehicles and in 2002 for motorcars and light commercial vehicles. However, this was extended and a further review is currently underway.

Several other countries operate automobile policies that are similar, and they are listed as NTMs on the OECD database. These countries include Argentina, Australia, Brazil, Canada, Chile, Indonesia, Morocco, Mexico, Malaysia and the Philippines. From an economic perspective these schemes may well encourage imports, as the export subsidy component is only activated through imports, but overall they operate to distort trade away from competitive producers through the subsidy component to exporters that is only able to operate within these subsidies and the associated high protective walls to imports.

The OECD database contains an extensive listing of other NTMs impacting on the sector. Several countries provide direct subsidies to their domestic sectors, while almost all those countries with a automobile industry provide implicit subsidies through a range of restrictions on imports. The local content rules are common, either on their own or operating in tandem with programmes similar to the MIDP. Import charges over and above tariffs are common. These include sales taxes (often on a sliding scale to tax engine capacity), luxury taxes, statistical fees (Hungary and the Philippines), purchase/registration fees (Israel, Hong Kong and Singapore), investment restrictions and conditions such as joint venture requirements, ` Imports of second hand vehicles are usually restricted and often prohibited outright, as are the imports of vehicles with "wrong side" steering wheels and, in one case, the importation of vehicles other than the latest models (Egypt).

Import licensing operates in many countries (China, Hong Kong, India, Indonesia, Israel, Mexico, Malaysia, the Philippines, Poland, Thailand and Taiwan). Technical barriers to trade are often raised, and in particular against Japan, Korea and Taiwan, although Poland, Russia and the Ukraine also get mentioned as having this NTM in operation. Customs procedures and classifications are mentioned with respect to Indonesia and Russia.

This is an extensive (and unlikely to be comprehensive) listing of NTMs operating in the sector. Many of these constraints also effectively operate in the parts and component sector, although the database tends to combine this sub-sector with the parent automobile sector. To the extent these factors, and the multinational arrangements, inhibit trade in individual countries is unclear. What is clearer is that many specific NTMs such as the restrictions on the importation of second-hand vehicles imposes a cost upon consumers in these countries, and this has additional distributional effects as the second-hand car market is somewhat differentiated from the more expensive new vehicle market. One estimate[48] for Cyprus puts the estimated consumer surplus per purchaser at "several hundred US dollars per purchase". Cyprus, New Zealand, Russia

[48] "International Trade in Used goods: the Case of Automobiles", Sofronis K. Clerides, University of Cyprus and Yale University, February 2003.

and some of the Former Soviet economies are the only countries that appear to have unconstrained imports of used vehicles. In the case of the former two, both medium to high income countries, used vehicles have around a 60 percent share of the total market. Thus, this restriction is a serious NTM in some countries.

Textiles and Clothing

Textiles and clothing are now going through fundamental change under a 10-year schedule agreed in the Uruguay Round. The system of import quotas that has dominated the trade since the early 1960s is being phased out. Since 1995 the WTO Agreement on Textiles and Clothing (ATC) has been enacted, and by 1 January 2005, the sector is to be fully integrated into normal WTO rules. In particular, the quotas will come to an end, and importing countries (with the EU, US and Canada being the three major importers concerned) will no longer be able to discriminate between exporters.

This is happening gradually, in four steps, to allow time for both importers and exporters to adjust to the new situation. Any quotas that were in place on 31 December 1994 were carried over into the new agreement. By January 2005 there is scheduled to be a final elimination of all quotas, and the ATC terminates.

There are, however, special provisions for the use of trade remedies should imports surge, and it could be expected that these remedies will be enacted. Over time is can also be expected that China will increase its share of world exports, although China is specifically limited by a safeguard provision until the end of 2008 and anti-dumping rules that allow for the price of similar products in third markets and not necessarily Chinese price data to be used as the benchmark.

Overlaying this global picture is the African Growth and Opportunity Act (AGOA), which authorises preferential treatment for most Southern African qualifying apparel until September 2008. This extends duty-free and quota-free access for apparel assembled in Africa using US fabrics. Mauritius is likely to be the main beneficiary of the AGOA.

In a paper examining the likely impacts of the removal of the quota NTMs on textiles and apparel[49] the US International Trade Commission (ITC) incorporated the AGOA preferences into the GTAP[50] framework. They found that the completion of the ATC does generate losses for Sub-Sahara Africa, although Southern African countries do

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[49] "Africa beyond 2005: Understanding the Impact of Eliminating NTMs and Tariff on Textiles and Clothing", Sandra Rivers, Laurie-Ann Agama and Judith Dean, US ITC, Washington DC. Paper presented to the 6th Annual GTAP Conference, June 12 –14, 2003, The Hague, The Netherlands.

[50] The Global Trade Analysis Project (GTAP) is a truly global project, with core support and advice coming from a number of international agencies around the world. There are now several hundred users in at least 40 countries, and the model is the most widely used quantitative technique for analyzing the impacts of change that results from a given policy option. More details are available on www.agrecon.purdue.edu/gtap

remain beneficiaries from AGOA after 2005. Mattoo et al[51] argue that South Africa and Mauritius may have trouble in meeting the rules of origin (ROO) criteria and thus limit the potential gains from clothing exports to the US.

During 2001 Mauritius was the world's 24th largest clothing exporter, with a 0.44 percent market share[52]. Of the major markets, only into the EU with a 0.75 percent share was Mauritius able to have a greater market share than its global average.

The conclusion must be that while there is a major NTM facing textile and clothing exports from the region, given current and continuing preferences into the US in particular it is not clear that the removal of this particular quota access NTM will necessarily enhance export trade from the region.

Steel and Steel Products

Steel products are an important export from South Africa. The Republic ranked 14th in world production statistics for September 2003, with a 1.01 percent share. The main export destinations for processed steel during 2001 were the EU and the US, followed by Japan, Taiwan, Mexico and China. The EU is the main destination for pig iron.

Internationally, steel is a very distorted market. Despite WTO rules to the contrary, many countries provide domestic subsidies to their productive sectors. Consequently there is massive overproduction globally[53]. Anti-dumping cases are frequent, and the US recently imposed safeguard measures involving tariffs of up to 30 percent over three years[54]. Complicating the picture are the many country and product exclusions from the US actions, actions that are still in place despite a WTO ruling that they violate WTO rules.

South Africa initially escaped the chapter 201 safeguards for imports into the US[55] since it only export small amounts to the US. However, it is vulnerable should the US actively pursue anti-dumping and countervailing actions in combination with the safeguards. In November 2001 the US announced these measures would apply to 8 of the 11 countries initially investigated for these possible retaliations. South Africa was one of the 3 countries that escaped actions despite the US Department of Commerce finding that steel production was subsidized and therefore technically liable for retaliatory action. The very threat of this action in the future constitutes an NTM into the US market as it acts to curtail exports.

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[51] A Mattoo, D Roy and A Subramanian, "The African Growth and Opportunity Act and Its Rules of Origin: Generosity Undermined", World Bank Policy Research Working Paper 2908. October 20022.
[52] WTO International Trade Statistics, 2002. Available at www.wto.org/english/res_e/statis_e
[53] OECD Observer No. 236, March 2003
[54] The WTO has subsequently ruled that these safeguard actions by the US are not WTO consistent, but the US is appealing that decision.
[55] "US Safeguard measures on Steel Imports: Specifics and Implications", by Niel Joubert and Rian Geldenhuys, Tralac Working Paper No1/2002, April 2002. .

Overall, and once again, the Republic is actually gaining from an NTM in the marketplace as exports to the US surged 21 percent over the first eight months of 2003.[56]

Not surprisingly, given the complexity of the international steel market, the product attracts a degree of attention in the OECD database. The US comes under a lot of attention for its vigorous trade remedy actions and for its "buy local" campaigns and actual mandatory requirements for transport infrastructure and other construction programmes. Export assistance to the sector is raised against China, Indonesia and Korea. Ironically, the US exporters have complained about Mexican dumping orders covering steel. Other entries concern irregularities in either the import or export markets of Bulgaria, Pakistan, the Philippines, Paraguay, Singapore, and Vietnam.

Forestry and Forest Products

In an internal unpublished internal review during 2002 of forestry NTMs facing exporters the New Zealand Ministry of Foreign Affairs and Trade (MFAT) found very few NTMs outside of North Asia. Even for these NTMs there was an active dialogue and considerable progress is being made in their resolution. This finding was confirmed in a wider MFAT study examining NTM in forestry trade between Australiasia and the ten ASEAN nations undertaken during 2003. In the latter case trade bans on native (generally hardwood) raw products were the only significant NTMs, with the justification given that they were implemented for environmental sustainability reasons.

Tariff escalation can be an issue in the forestry sector[57]. However, the major markets where this is a problem is largely in the ASEAN markets, and to a lesser extent Japan. While the EU was not modeled in this paper, an examination of the EU Tariff Schedule suggests escalation would not be a serious issue in that market. Furthermore, all wood pulp products (South Africa's main disaggregated forestry export) face zero tariff rates into the EU. No NTMs against wood pulp products were identified in the two other NTM examinations undertaken by MFAT.

Given this background it is reasonable to expect that few NTMs would apply to Southern African exports of forestry products.

[56] Business Day, October 10, 2003.
[57] See "Tariff Escalation in Forestry Products", a paper by the Economic Division of the New Zealand Ministry of Foreign Affairs and Trade, August 2002. On www.mfat.govt.nz/foreign/eco/tariff2

4.3 Agricultural and Food Products

The Big Picture

Many of the disciplines that have been applied to promote freer trade and more open production systems in the non-agricultural sector are not exercised in the agricultural sector. Indeed, it was really only in the Uruguay Round that agricultural disciplines were applied to agriculture in a meaningful way. Consequently, the sector is distorted, with domestic supports, import barriers including quotas, and export subsidies acting as the three legs of a protectionist stool.

Overall, the OECD reports wide differences in support levels across countries and between commodities. As a measurement of these levels of protection, prices received by farmers were 10 percent higher than at the border in the United States, 35 percent higher in the European Union, and more than 100 percent higher in Iceland, Japan, Korea, Norway and Switzerland.

Malzbender[58] contains a good discussion of the implications of the European Union CAP policies for agricultural trade from the region. The complex interactions between the mix of restricted access and preferences to the EU market and the over-production "dumped" on third markets and the countries within the region itself through export subsidies are outlined in detail, sector by sector.

South Africa is a member of the Cairns "ginger" Group of Agricultural exporters in the WTO, a coalition of 17 agricultural exporting countries who account for one-third of the world's agricultural exports. Since it formed in 1986, this Group has succeeded in at least putting agriculture on the multilateral trade agenda and keeping it there. This resulted in the framework for reform in agricultural trade that was cemented into the Uruguay Round, and the Group is united in its resolve to ensure that the current WTO agriculture negotiations achieve further agricultural reform.

However, with a Cairns Group member, South Africa is not a major exporter of agricultural products. Analysis of South African exports for 2001 (as distinct from the SACU exports shown in Table 2.2) reveals that agricultural products constituted fewer than 10 percent of the total. Leading exports were fruit (2.2% of the total exports), wine (1.8%) and sugar (1.0%).

For the remaining countries in the region agricultural exports are relatively more important. Reverting back to the SITC codes used in the tables from Section 2, tobacco, cotton, sugar, vegetable materials, fruit and nuts, tea and coffee, spices and maize all feature in one or more of the tables.

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58 " Agricultural reform in the EU: Implications of the June 2003 Common Agricultural Policy (CAP)-reform for Southern Africa", by Daniel Malzbender. TRALAC Working Paper No 13/2003 November 2003.

The most contentious issue in agricultural access is the use and abuse of SPS measures (Section 3). Consumers seek assurances that food is safe to eat: thus, regulation in this area is needed and removing SPS standards and associated regulations may actually reduce trade.

The WTO SPS Agreement sets out the basic rules for food safety and animal and plant health standards. To prevent the creation of unnecessary trade barriers, the measures must be applied only to the extent necessary to protect human, animal or plant life or health, must not arbitrarily or unjustly discriminate between countries where identical or similar conditions prevail, and must have scientific justification. Each country has the right to set standards within these criteria, and any challenge must be addressed to these criteria and not the SPS measures as such[59]. International trading rules and norms accept that NTMs can be used for these purposes, but they should be used in ways that minimise their impact on trade.

In their July 2003 Newsletter the Common Market for Eastern and Southern Africa (COMESA)[60] explores whether SPS is trade enhancing or a trade barrier for Eastern and Southern African (ESA) exports. They raise three crucial issues:

- stringent regulations place small scale producers at a disadvantage, as they do not have the capacity to absorb extra costs;
- following on from that, ESA countries themselves do not generally have the monitoring, testing and certification structures in place to demonstrate compliance; and
- there is growing concern that many SPS measures may be inconsistent with WTO rules. Taking a case against a major developed country is very resource intensive and even if successful may not ensure greater access.

We will now examine different agricultural and food products to assess the extent to which NTMs are an issue.

Sugar and Sugar products

The global sugar market is (along with rice and dairy) one of the three most distorted markets internationally. The disruptive polices of the EU, the US and Japan cause most of these problems by heavily subsidising their producers. In 2000 the world reference

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[59] See “Agro-food Products and Technical Barriers to Trade: A Survey of issues and Concerns in the WTO’s TBT Committee”, OECD, Paris, March 2003. Available on http://www.oecd.org/trade . This document contains an background on TBT-related activities before the WTO during the period from 1995 to 2001 inclusive. It provides some examples of how disputes have been settled and the background to several more of the contentious issues raised by WTO member countries during that period. These issues were wider than SPS alone, and included issues such as food labelling.

[60] COMESA Newsletter, Vol 1, Issue 2, July 2003. “Market Access and the SPS Issues”. At www.comesa.int This Newsletter draws upon the more comprehensive report “Market Access Constraints”, available at the same website.

price for sugar was around US$ 220 per tonne, but the US, EU and Japanese producer prices were around $410, $510 and $800 per tonne respectively. These levels of protection are made possible by domestic supports in all three areas and limited quota access and very high out-of-quota tariffs to maintain these regimes. Accentuating the problems for competitive producers are the export subsidies that the EU uses to dump surpluses onto remaining free world markets.

The Australian Centre for International Economics (CIE)[61] calculates that complete liberalisation of these three markets would almost double world prices in the medium term. Meanwhile, those suppliers who have preferential access into the EU and US markets are able to obtain economic rents[62] for their limited exports. The EU has import quotas of 1.78 mt, while the US has a lower quota of 1.2 mt. Japan does not allow for preferential access. The CIE estimate the value of these economic rents to be almost one billion US dollars annually; $300 million annually from the US and $560 million from the EU. While there are no gains to Southern African countries into the US, Mauritius (nearly $200m), Swaziland ($75 million), and Zimbabwe ($25 million) are three of the six main beneficiaries from access into the EU market. A report for the IMF[63] estimates that sugar exports from Mauritius to the EU from 1997 to 2000 were on average about 90 percent above the world price, with the resulting economic rents on average 5.4 percent of GDP and up to 13 percent in some years.

These gains are considerable, and are the direct result of the series of NTMs that exist in the sugar market. A more complete analysis would be needed before any judgement could be made on whether or not liberalisation would, in fact, benefit these (and the other) Southern African exporters. Initial analysis from the CIE suggests not, as the major beneficiaries in terms of industry expansion are Brazil, Thailand, Australia and India with all others either little or no change as Japan, the US and the EU in particular reduce production.

Therefore, NTMs in the world market are almost certainly benefiting Southern African producers. Depending upon the linkages between EU sugar reforms and the "Everything but Arms" initiative that allows for unrestricted ACP exports of sugar to the EU post-2008 this is likely to continue in the short to medium term, but depending upon post-EU expansion and an outcome in the Doha Round it may not continue in the longer term.

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[61] "Targets for OECD sugar market liberalization", Centre for International Economics, Canberra and Sydney, October 2002.

[62] Where economic rents are the value to the supplier of these exports into the protected market over and above the current world price or next best alternative markets. The intervention prices paid to EU producers is about two or three times the world price, and ACP countries receive this intervention price for their preferential exports to the EU. The Australian Bureau of Agricultural Economics (ABARE) estimates that these rents were around 450 million Euros in 2001. ABARE research suggests that even though the loss of sugar preference would divert resources in Fiji to mores efficient uses after many years the economy still would be at a lower level than it would have been with a continuation of the preferences. The adjustment burden falls on the rural poor.

[63] "Finance and Development – Mauritius: a Case Study" on www.imf.org/external/pubs/ft/fandd/2001/12/subraman

Other NTMs include several WTO tariff quotas on sugar and related products. In addition to the EU and USA discussed above, sugar quotas are active in (descending order of the final quota) Morocco, Bulgaria, Mexico, Venezuela, South Africa, Tunisia, Poland, the Philippines, Columbia and Malaysia (with another 13 countries making up 2 percent in total). Closer to home Zambia reports that "Kenya has put in place so many non-tariff barriers for sugar imports that Zambia has decided to stop exporting sugar to the East African country".[64]

[64] The Times of Zambia, cited in "Too many trade barriers for Zambian sugar", Tralac Trade Brief, 13/02/2003. At www.tralac.org/scripts/content..php

Tobacco and Tobacco Products

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Around 6 million tonnes of tobacco are produced each year in 120 countries, with 80 percent of this coming from developing countries. Brazil, China, India, Indonesia, the US and Zimbabwe, the top 6 producers, produce 70 percent of the total crop. Malawi and South Africa are the second and third ranked African producers behind Zimbabwe.[65]

Almost all developed countries levy very high taxes on tobacco products for health reasons. This is generally in the form of excise duties, which apply equally to foreign and domestic products, and are often at levels that exceed the value of the product itself by a wide margin. While these duties are a tax, they are in a form that allows for them to be classified as an NTM. Depending upon the individual response to an increase in the price of tobacco products, these (extremely high) excise and other taxes will decrease consumption.

There are some WTO tariff quotas applying to tobacco products. These are applied for imports into Australia, Bulgaria, Costa Rica, Guatemala, Hungary, Malaysia, Poland, Romania, El Salvador, Thailand, the US and South Africa itself.

Anti-smoking legislation, consumer boycotts and labelling requirements all constitute NTM facing tobacco products. In May 2003 the WTO adopted its Framework Convention for Tobacco Control (FCTC). It now waits signing and ratification by members. The FCTC contains a host of measures to reduce the health and economic impacts of tobacco including advertising bans, health warnings and smoke-free zones. South Africa has signed the FCTC, while both Zimbabwe and Malawi have endorsed but not signed. Under WTO rules these health measures are acceptable provided they apply to both domestic and imported products. Meanwhile, the EU continues to subsidise its tobacco farmers.

The EU now allows for graphic pictures of diseased lungs and hearts on cigarette packs, Canada, Israel and New York City have banned smoking in public places, Russia and Egypt have banned advertising, and Malaysia is seeking to declare smoking an official sin. Other countries (Hong Kong and New Zealand, for example), are also discussing legislation to ban smoking in public places.

Other NTMs associated with tobacco products include:

Import licensing requirements in Bulgaria, Czech Republic and Poland;

State trading enterprises in Korea;

Price controls in Egypt; and

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[65] "Non-smokers hooked on tobacco". By Calvin Manduna, Tralac Working Paper No 9/2003, August 2003.

Custom procedures in Romania.

Wine

Over the last few years the feature of the largely static or even declining global consumption of wine has been the dramatic growth of exports from the "New World" wine producers of South America, Australasia, the US and South Africa. Between 1998 and 1999 their share of global exports grew from 3 to 16 percent, almost all at the expense of European producers[66]. These figures are even more dramatic when intra-EU trade is excluded. South Africa, the world's eight wine producer, had the largest increase in exports over this period. However, there may be a warning bell sounding for South African exports in that their quality (as measured by average value) is slipping behind most of the other New World producers. Given that the global trend is towards premiums wine this should be of concern to South African exporters.

The TDCA agreement provided for an annual duty-free quota of 32 million litres of South African bottled wine. This was increased to 35,300,000 litres, and through to 2011 another 6,720,000 litres will be added annually. The conclusion of TDCA was postponed based on EU's concerns involving geographic origins and appellations for wines and spirits, thus replacing one NTM with another.

Wine NTMs

As is the case with tobacco products above, most countries apply excise duties or additional taxes on alcoholic products. This generally includes wine.

WTO tariff quotas are in place for wine and related products in several Eastern European countries (Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia), Switzerland and South Africa itself.

Several Islamic nations have prohibitions or limitations on the importation of alcohol.

Monopoly trading is an issue in many export markets for wine products. These include Norway, Sweden, Finland, Turkey, Bulgaria, Canada (Quebec), Russia and, until recently, Taiwan. Interstate wine sales in the US are largely controlled by Prohibition-era legislation that mandates a wholesale marketing level between imports and producers and their final customers, although this cartel is being eroded. Similar distribution NTMs are operating in some Asian markets such as China, Thailand and Singapore.

Advertising restrictions and labelling requirements operate in several countries; Malaysia, USA and Russia, for example.

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[66]This section draws upon "Globalization of the World's Wine Markets: Overview", Kym Anderson, David Norman and Glenn Witter, *The World Economy* 26(5): 659-87, May 2003.

Geographical indicators (GI) and labelling requirements, mostly driven by the EU, are seen as major NTMs[67] with the potential to seriously restrict wine trade to the EU in particular.

Import licenses or registration are required for Bulgaria, Indonesia, Mexico, Poland, Russia and South Africa.

Non-Alcoholic Beverages

Both tea and coffee are major exports from some countries in the region.

The Association of Coffee Producing Countries (ACPC) was a cartel of 15 nations that produced 70 percent of the global coffee. These 15 nations included Tanzania within the region and another six African nations. Importantly, it did not include Indonesia, Vietnam and India. In response to weak global prices the cartel finally decided that it could not control international prices and ceased to exist from 31 January 2002. Whether or not the cartel represented an NTM is a moot point; given its performance and subsequent demise it would seem not.

A few countries operate WTO tariff quota regimes. For tea these are Korea (for green tea only), Thailand and South Africa. For coffee these countries are Hungary, Poland, Malaysia, the Philippines, Thailand, Mexico and South Africa.

Tariff escalation may be a factor in inhibiting further processing of coffee beans in some instances. In both the US and Canada there are no issues, as both beans and processed coffee are imported at zero rates of duty, but into Japan beans have duty free access while processed coffee faces a 20 percent tariff barrier.

Fruit and Vegetables

Citrus, grapes and apples are the most important South African fruit exports. The Republic dominated southern hemisphere exports of citrus for most of the post-WWII period, but it is recently being challenged by Argentina, Australia and Uruguay. In 1996 the export market from South Africa was liberalised with the abolition of the previous single desk selling monopoly. It is still unclear if these moves have benefited growers, but arguably there are increased marketing costs to be borne by the numerous smaller exporters in the major markets.

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[67] In a report published 1 October 2003 the Australian Bureau of Agricultural and Resource Economics (ABARE) attention is drawn to the increasing NTMs faced by exporters into Europe as the EU fights the threats to its producers from New World encroachment. The report highlights both GIs and new labeling requirements as threats to Australian (and presumably New World) exports. See also "European Union" , pages 107-108, on the 2003 National Trade Estimate Report on Foreign Trade Barriers by the United States Trade Representative's Office. On www.ustr.gov/report/nte/2003

South Africa is the major source of US orange imports (followed closely by Australia and Mexico), but only has a 5.6 percent market share in apples behind Chile's 37 percent and New Zealand's 31 percent. The US is a net importer of grapes, but South Africa only manages a 0.6 percent share in a market that is dominated by Chile's 78 percent and Mexico's 19 percent.

The main apple exports are to the EU, where all exporters face a market heavily distorted by domestic subsidies. Apples face stringent SPS barriers in Asian markets in particular, and the recent US victory in a WTO case against Japanese emphasises that at least some of these NTMs are protective trade measures.

Tariff quotas are numerous in this sector. Just over one quarter of all WTO notified tariff quotas (350 out of a total of 1369) are applied to fruit and vegetable products. Many of these are relevant to exports or potential exports from Southern Africa. The EU has a total of 24 quotas, with many constraining imports of products such as fresh grapes, bananas, citrus fruits and seasonal apples and pears that South Africa in particular produces.

Zambia has problems with stringent SPS and labelling requirements at the EU border. In particular, the zero tolerance phytosanitary and pesticide residue requirements mean that fewer products from Zambia as the tropical soils that contain more pests than the colder EU soils.[68]

Norway, one of the potential FTA partners for South Africa, is a heavy user of tariff quotas in this sector. The total of 116 different quotas covers pretty much the full range of products that South Africa exports (with the notable exceptions of bananas, citrus fruits and fresh grapes).

In Korea there are similarly numerous tariff quotas restricting trade in fruit and vegetables, while Japan only has restrictions on dried peas. Similarly, neither Canada nor the US has tariff quotas in this sector.

SPS measures are a common NTM complaint voiced in this sector. The database shows this includes exports into Australia, Brazil, China, Japan, Korea, Mexico, Panama, the Philippines, Thailand and Taiwan. The general issue is not that SPS regimes exist, but that they are not WTO consistent.

Labelling and packaging requirements are suggested as NTMs into Canada, import licensing or a pre-arranged buyer is necessary for exports to Canada, Israel and Malaysia for some produce, and customs procedures and sole marketing arrangements are raised with respect to Korea.

Cut Flowers

[68] COMESA Newsletter op cit.

This sector seems to be remarkably free from NTMs. However, COMESA reports that all plant products entering the EU from Zambia are subject to rigorous SPS inspection at the border. This results in extra costs and reduces the quality of perishable produce such as cut flowers. In addition, there are tariff quotas into Israel and Poland, and SPS concerns have been raised against Japan.

The issue of product labelling and worker's rights has been raised as a non-tariff measure impacting upon this sector. A 2000 study of the sector in Zimbabwe[69], conducted at a time when that country was the second largest exporter of cut-flowers in Africa (after Kenya), and the third largest in the world, examines this in depth. Consumers in destination countries had become increasingly concerned about these issues, and this was perceived by many growers as non-tariff measures impacting on their exports to European markets. If the impact of labelling is solely to raise costs, then it is almost entirely a non-tariff measure. In practice, the study found that the progressive growers were viewing the standards as a necessary part of marketing their product in the sophisticated EU market and acting accordingly.

[69] "The impact of globalization on local communities: a case study of the cut-flower industry in zimbabwe", by Robert Davies, ILO/SAMAT discussion paper no. 13, International Labour Organization, Geneva, 2000.

Meat Products

In contrast to the cut flowers, this sector is replete with NTMs covering the full range from SPS to tariff quotas and labelling requirements. Beef exports to the EU from Botswana, Namibia and Zimbabwe all benefit from preferential access into the EU market, thus there are gains from an NTM here. SPS measures are generally accepted as being justified, although the presence of foot and mouth disease in many parts of the region increases the costs of market access.

Cotton

Cotton emerged as a major flashpoint at the WTO trade summit in Cancun, Mexico, as four African countries of Benin, Burkina Faso, Chad and Mali called for an end to cotton subsidies in rich countries. They also called for compensation to cover economic losses caused by subsidies. In 2001-2002 US cotton US received farm subsidies of $3.9bn, which exceeds the entire gross domestic product of Burkina Faso or the entire US aid budget for Africa. This challenge dramatically highlighted both the problems that African farmers in particular face in a distorted agricultural market and how the balance of power in the WTO is swinging away from the rich countries to a more representative view of the entire WTO membership.

The US produces about 20 percent of the world's cotton and exports about one-third of the world's trade. Post Cancun, "*US cotton farmers can sleep easy. They will continue to receive $4 billion in subsidies and flood the world with cheap cotton for the foreseeable future. Meanwhile west African cotton growers will see no way out of their destitution*"[70]. Along with their West African colleagues, cotton farmers in Zimbabwe, Tanzania, Malawi and Mozambique will continue to face the NTM of a highly distorted market resulting from subsidies to US cotton farmers.

Fortunately there seem to be few other NTMs registered against raw cotton directly, although of course there is a major linkage between cotton prices and the distorted textile and clothing market described earlier.

Fish and Fisheries Products

Over the past 50 years international fisheries production has increased more than six-fold, from around 19 million tons in 1950 to around 130 million tonnes. Production from aquaculture has expanded considerably over the past two decades, a trend that is likely to continue. Production in 2002 was around 39 million tonnes, with China responsible for 26 million tonnes of this. Fisheries trade has increased significantly, particularly the shares supplied by developing countries and aquaculture.

For 2001, the major importers of fish and fish products were the EU (with individual members making up 10 of the top 17 importers), followed by Japan and the United

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[70] The Guardian, London, September 21, 2003.

States. If intra-EU trade is excluded, Japan was the leading fish importing market. The leading exporters for 2001 were Thailand, China and Norway. Within the region Namibia and South Africa were the 37th and 39th largest global exporter by value for 2001. Their exports were US $323.6 and $282,9 respectively.

In June 2001 ACNielsen published the main results from its survey of business managers assessing the extent of NTMs facing New Zealand exporters[71]. Around a thousand questionnaires were sent out and 381 exporters responded. Given that New Zealand has a similar fishing profile to both Namibia and South Africa, data from this study may be relevant.

Generally fish products are freely traded, although as one would expect with a perishable product SPS barriers and food safety requirements are strict. These can sometimes be seen as an NTM.

NTMs from category 2, trade policy regulations, discussed earlier were frequently mentioned as possibly being relevant to fisheries products. These were import licensing, high internal taxes or charges, import quotas or restrictions, state trading monopolies and subsidies and/or tax breaks given to domestic producers.

Many of the barriers from the survey are related to those discussed in Category 3, administrative disincentives to exports. These include anti-import campaigns, customs procedures and irregular additional payments, cargo handling and port procedures, distribution constraints in importing countries.

A general conclusion could be drawn from the New Zealand survey that NTMs facing the fisheries sector are not that onerous, and most are rather generic NTMs. However, many of them apply to the EU market, Southern Africa's main market.

Other databases reviewed add little to the general listing above. The major NTM would seem to be the measures that the US imposes for environmental protection for turtles and dolphin from by-catch of shrimp and other fish species. However, COMESA does report on major access problems for fisheries to the EU for several of its members, but those members do not include any countries in the region under consideration in this report.

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[71] "Assessing the presence and impact of non-tariff trade barriers on exporters", *ACNielsen,* Wellington, New Zealand, June 2001. On http://www.standards.co.nz/exportsuccess/

Section 6: Discussion, Analysis & The Way Ahead

NTMs in summary

Each of the three production sectors of mining and minerals, industrial products and agricultural products were examined using the three NTM categories identified in Section 3. The overall results are summarised in Table 6.1**.**

As no primary research has been undertaken at this stage, these NTMs were obtained from secondary sources such as the OECD database or the literature review (including the WTO TPRM papers for WTO members). The register is a useful guide, but it indicates neither the frequency of nor the trade-distorting effects of NTMs. All the ● symbol mean is that the NTMs specified has been identified as inhibiting trade into that particular country. By the same token, an empty box in Table 6.1 does not necessarily mean that the relevant NTM does not apply.

NTM categories: a reminder

As explained in Section 3, this study groups NTMs under the following headings. Each will be discussed further in this section.

1. **Health, safety and environment:** measures including export bans, SPS requirements, and standards and conformance requirements.

2. **Trade policy regulations:** broader policy measures including export assistance, export taxes, import licenses, import quotas, production subsidies, state trading and import monopolies, tax concessions, trade remedies practices (ie. anti dumping, safeguard, and countervailing measures). They also include issues such as tariff escalation and issues associated with regional trading arrangements themselves

3. **Administrative disincentives to export:** customs clearance delays, lack of transparency and consistency in customs procedures, overly bureaucratic (and often arbitrary) processing and documentation requirements for consignments, high freight transport charges and services that are not user-friendly.

Listing of NTMs by country

The following two-part table show countries and the perceptions of NTMs associated with them. Emphasis is given to the first three entries that are major markets from the region and the next two that are prospective FTA partners for at least South Africa. The second part of the table summaries those countries examined in Section 4. China is not shown, as comprehensive data has not yet been obtained.

Table 6.1: Listing of NTMs by country					
NTM	Country				
	EU	USA	Japan	Swit/Nor	MERCOSUR
Customs procedures				●	●
Export assistance	●	●			●
Import licenses				●	●
Import quotas	●	●	●	●	
Labelling	●				
Production subsidy	●	●	●	●	●
SPS requirements	●	●		●	●
Standards					
State trading			●		
Trade remedies	●	●			●

Table 6.1 (Continued): Listing of NTMs by country					
NTM	Country				
	Korea	Canada	Israel	India	Australia
Customs procedures				●	
Export assistance					●
Import licenses			●	●	
Import quotas	●	●	●		●
Labelling					
Production subsidy	●	●	●	●	●
SPS requirements	●			●	
Standards	●				●
State trading	●	●	●	●	●
Trade remedies	●	●	●	●	●

Comment on NTMs (by trade sector)

Minerals and Mineral Products

There are few barriers to the precious metals and diamond exports (ignoring the South African-dominated diamond cartel). Possibly the very nature of gold and its function as a reserve currency makes it vulnerable to price fluctuations as countries and institutions vary their holding policies, but this can hardly be deemed an NTM. India and China, two of the major actual or potential markets, have recently liberalised their gold markets, and this should boost gold exports.

Coal faces a problem in the EU market in particular in that domestic production is heavily subsidised in Germany. Neither copper nor aluminium appears to face NTM problems. In general, there seems to be few NTMs inhibiting trade from the region in this most important aggregate export sector.

Manufactures

The three major sub-sectors of automobiles; textiles and clothing; and iron and steel products all operate in an environment bedevilled by NTMs.

The textile and **clothing** sector operates under the umbrella of preferences for otherwise high duties and quotas in many markets. However, on a positive note, the region is actually benefiting from preferential access into the US and the EU. This may be a temporary benefit though, as the quotas are due to expire at the end of 2004 and the high tariffs on clothing will be an obvious target during the remainder of the Doha Round. Also, the threat of Chinese production dominance that already exists in many markets and will only increase in the medium term. Special provisions and preferential access provide breathing space, but there are questions over the abilities of the region to compete against Asian rivals in the longer term. As in any other competitive industry, efficiency gains will be needed, but that is outside of the scope of the current report.

The **automobile** sector within South Africa operates under the complex MIPD whereby the export of both vehicles and parts earn tradeable credits that can be set against import duties on like products. This scheme is similar to others around the world; in general many countries afford protection to their icon vehicle industries. These measures can only be supported by a profusion of NTMs, although sometimes the net result may be offsetting in a similar manner to the MIPD. Overlaying this is the globalised nature of the industry itself, where conglomerates make decisions on an international stage.

Iron and steel products operate in an environment where many domestic industries are subsidised in defiance of WTO rules. Consequently, trade remedy actions such as the current US safeguard actions are frequent. South Africa is actually benefiting from this US safeguard. It is one of the suppliers with an exemption, and therefore supplying into a market where the price increased as a result of the safeguard. The threat of countervailing duties is however acting as an NTM constraint on exports to the US, as the US Commerce Commission have already decided that South Africa is in breach of its WTO obligations by subsidising the sector. There are several other general measures that potentially impact on exports from the region. These include “buy local” campaigns and the like and export assistance.

Forestry seems to be relatively free of NTMs. The region has few exports to the North Asian markets where NTMs are a problem, and the product mix is weighted towards the relatively open international wood pulp market.

Agriculture and Food Products

Internationally, agriculture is a very distorted sector, as up until the URAA outcome it largely escaped many of the disciplines imposed upon manufacturing products. The general pattern is for high levels of domestic subsidies to many, but certainly not all, products in the OECD developed countries. These markets are in turn heavily protected at the border and in some instances the surplus generated by the domestic subsidies is dumped onto the few remaining third. Access problems are accentuated by the rigorous implementation of food and environmental standards (SPS measures), and in some instances these measures are considered by exporters to constitute NTMs. However, in the final analysis a country has the right to set its own food safety standards, provided these standards are scientifically based and applied in an even-handed nature. Exporters must accept this and market their produce accordingly. But the very nature of small-scale production in many developing countries makes it harder to reach the SPS requirements and thus makes their products the target of increased scrutiny. This further raises their costs.

The URAA resulted in that many previous NTMs being "tariffied",[72] and markets were opened through the implementation of tariff quotas. The paper earlier identified several tariff quota markets that are of actual or potential interest to Southern African producers. Table 6.1 shows that most of the major markets apply at least some tariff quotas or import quotas.

Rice, dairy and sugar are the three most heavily protected agricultural products, and they each have their own complicated trading environments. Dairy is of some interest to South Africa, but the major one of interest to the region is sugar. Here subsidies and market protection in the US, EU and Japan allow their producers to grow sugar beet at the expense of the more efficient sugar cane producers. Currently there are considerable economic rents being earned from preferential access into the EU markets for Mauritius, Swaziland and Zimbabwe. Reforms in the EU market that may result from a combination of pressures that include the budgetary cost of subsidies, EU enlargement and a Doha Round outcome mean that the level of these rents will inevitably decline over time. Thus, while the region is, as is the case with clothing exports, benefiting from NTM in the market, these benefits are almost certain to be transitory and reducing over time. It is not intuitively clear how the region would fare in a market with fewer NTM, but it is clear that producers in countries such as Brazil and Australia would offer major competition.

Other products face different NTMs in different markets. Tobacco is an interesting case study, as almost all countries impose very high excise duties on the product and many actively promote campaigns to reduce its usage. Wine also faces excise duties and/or additional charges in most markets. In addition, it faces several other NTMs such as quotas, outright prohibitions in some Islamic nations, monopoly trading, advertising

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[72] Where tariffication refers to the process of converting the NTMs into an approximation of their tariff equivalent effect.

restrictions, geographical indicator requirements (the EU) and some import licensing requirements.

Fruit exports face numerous barriers worldwide. There are 350 tariff quotas registered with the WTO for these products, and many of these are applicable to exports from the region. As discussed above, SPS requirements are very strict and that can constitute an NTM. Juices and coffee face some limited quota barriers, while cut flowers seem to be remarkably free from NTMs (excepting possibly Zambian exports to the EU).

The international meat market is similarly constrained by tariff quotas in some markets, but several countries in the region benefit through preferential access to the EU. Again, SPS issues sometimes give cause for concern. Fisheries products seem to be relatively free from NTMs provided SPS standards are met.

Finally, cotton has dramatically spotlighted the situation whereby a small group of US farmers receive more from the US government in subsidies annually to produce cotton than Africa receives in direct aid from that same government. This distorts the market to the extent that some of the world's most efficient producers in both West Africa and this region are unable to gain the full fruits of their labour.

Addressing NTMs

Health, safety and environment

In many cases, governments impose NTMs to meet legitimate objectives such as health concerns. International trading rules and norms accept that NTMs can be used for these purposes. However, NTMs should be used in ways that minimise their impact on trade.

The WTO SPS Agreement sets out the basic rules for food safety and animal and plant health standards. To prevent the creation of unnecessary trade barriers, the measures must be applied only to the extent necessary to protect human, animal or plant life or health, must not arbitrarily or unjustly discriminate between countries where identical or similar conditions prevail, and must have scientific justification. Each country has the right to set standards within these criteria, and any challenge must be addressed to these criteria and not the SPS measures as such[73].

In the seafood and forestry sectors, environmental regulations are necessary for the preservation of fish, indigenous timber stocks[74] and wildlife. The international

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[73] See "Agro-food Products and Technical Barriers to Trade: A Survey of issues and Concerns in the WTO's TBT Committee", OECD, Paris, March 2003. Available on http://www.oecd.org/trade . This document contains an background on TBT-related activities before the WTO during the period from 1995 to 2001 inclusive. It provides some examples of how disputes have been settled and the background to several more of the contentious issues raised by WTO member countries during that period. These issues were wider than SPS alone, and included issues such as food labelling.

[74] See, for example, "Tree Trade – Liberalisation of International Commerce in Forest Products: Risks and Opportunities" by Nigel Sizer, David Downes and David Kaimonwitz, World Resources Institute and

agreements of relevance include the Convention on Biological Diversity and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Trade policy regulations

Measures such as export assistance, export taxes, import licenses, import quotas, production subsidies, state trading and import monopolies, and tax concessions, as well as trade remedy practices such as anti dumping, safeguard, and countervailing measures, are directly under the control of governments. Most of these NTMs are actively or potentially under discussion at the WTO, and the region must take every available opportunity to ensure pressure is brought to bear on those countries practicing these NTMs to the detriment of the region. This is not an easy position for some countries in the region to take, as many currently gain from special treatment to the EU and the US in particular.

Administrative disincentives to export

Few instances have been raised in this report where these issues are a major concern. As the study has concentrated upon the major developed country markets this is to be expected. The exceptions, as highlighted in Table 6.1, are the developed markets of Switzerland/Norway and the developing MERCOSUR and Indian markets. Should the study be extended to consider the so-called South-South trade it is almost certain that more concerns would be raised in partner countries, and similarly should the spotlight be turned inwards towards countries in the region there would be issues raised.

While this latter point is outside of the direct scope of the present study, it nonetheless important to recognise that barriers to export exist within the regions' borders. These are often in the form of infrastructure bottlenecks and customs procedures, both of which are directly under the control of the home governments, albeit governments that face severe fiscal constraints.

The Bilateral Approach

Two alternative routes for addressing NTMs can be explored. The first is the multilateral approach, through the WTO and other relevant international forums. The second is through the bilateral route. This sub-section examines some of the NTMs identified in the course of the paper in trading partners that are important because of their trade impacts or because they are potential FTA partners.

Part of the problem with quantification of non-tariff measures is that they are either rent generating or cost escalating. The former allows exporters and other to obtain an

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available on www.iatp.org/enviroObs/library/uploadedfiles/Tree_Trade_ . They highlight that trade liberalisation in the absence of domestic mechanisms to protect forests poses a significant threat to efforts to conserve and sustainably manage forests. This will ultimately reduce rather than stimulate trade and economic wellbeing.

increase in the price they obtain over the costs of production (sugar exports from the region, for example), while the latter merely raises the costs of doing business. This distinction flows over into potential benefits from an FTA. If NTMs are rent generating they operate like tariffs, except that rents stay in the hands of importers or exporters rather than the government in the form of tariff revenue. In these cases preferential FTA liberalisation will be similar to preferential tariff liberalisation and there would be increased rents. If instead NTMs are cost escalating, then liberalisation will save real resource costs.[75]

The salient point is that an FTA negotiation should keep these two points in mind. Where there are rents from preferential access, the objective must be to enhance these (at the expense of other suppliers).[76]

Where are the crucial negotiating points for each partner? Some benefits would automatically flow, such as the "levelling of the playing field" *vis a vis* competitors who currently have tariff preferences. Section 4 shows that some of these partners have a high percentage of their imports coming in duty free under preferences. But these gains are indirectly related to NTMs; therefore the major NTMs *per se* must be identified.

The United States of America

Textiles and clothing have been canvassed during this paper. Under AGOA the region has preferential access, but this is only for a limited time and the rules of origin are strict. For automobiles the linkages between trade and investment need to be capitalised on, as an FTA is likely to enhance the attractiveness of the European-dominated auto sector to US interests. Similarly for iron and steel products, where more secure access conditions in the form of less vulnerability to trade remedy actions would result.

Agriculture is where the real gains to the region would result, but this is also the hardest challenge. A starting point is to examine the correlations between South Africa's exports to the world and WTO tariff quotas administered by the US. While South Africa is not a major exporter of the commodities restricted by quotas, there are exports in dairy products, cotton, peanuts, beef, sugars and tobacco where gains may potentially be made from the removal or relaxation of this particular NTM. There are no quotas on fruit imports.

In an analysis of South African exports Steenkamp[77] found that "the US was by far the most untapped market for SACU exports in general, but also for agriculture". The

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[75] Adapted from Pomfret, and cited in Adams, R., Dee, P., Gali, J. and McGuire, G. 2003, *The Trade and Investment Effects of Preferential Trading Arrangements — Old and New Evidence*, Productivity Commission Staff Working Paper, Canberra, May.

[76] This of course would lead to trade diversion and its associated costs in the importing partner market, but trade diversion to one supplier often means this supplier picks up enhanced rents at the expense of third country exporters.

simulations indicated that fresh food and agro-based products could increase nearly 10 fold. Although not proof, this analysis is suggestive of NTMs.

TIPS[78] analysed US-South African trade over the 1996-2000 period using a revealed tariff barriers (RTB) approach to ask the question: are the imports of a particular commodity from South Africa more or less important compared to total US imports of that commodity from all sources. If the RTB ratio is less than 1, we may conclude that South Africa is exporting a commodity relatively more to the rest of the world than it is to US, possibly due to trade barriers in US. These barriers can be in the form of tariffs or other trade barriers, such as transportation costs and other impediments to trade; RTBs make no distinction. The report found that that under-traded commodities included road vehicles, textiles products, products of chemicals, and a range of machinery goods.

The European Union

South Africa already has an FTA with the EU. It would be instructive to see if exports of meat and dairy products, fruit and vegetables, sugar and cereals, all products subject to tariff quotas, increased following the implementation of that agreement. Several exemptions under different preferences already existed, such as the sugar and beef agreements.

In manufacturing the EBA agreement already provides access to the poorer members of the region, and the textile quotas are due to come off at the end of 2004. Currently South Africa does not have a Mutual Recognition Agreement (MRA) with the EU, and, to the extent that standards act as an NTM, it may be worthwhile to pursue a MRA. Again, given the strong presence of the European manufacturers in the South African automobile industry an FTA may encourage greater levels of investment and more trade, although this is not currently an NTM in the classic sense.

Japan

During 2002 Japan signed an FTA with Singapore. This was notable in that until then Japan had been the last major economy not to belong to a preferential trading arrangement. It is also notable in that it signaled Japan's aversion to a meaningful and comprehensive FTA that includes trade in agricultural and fishery products. Thus, despite the potential gains to the region for better access into Japan for these products it would seem unlikely that such access could be negotiated. There appear to be few other NTM that restrict trade in other sectors from the region to Japan.

The EFTA Countries

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[77] "Strategic Market Research on South African Exports: a Focus on Agriculture", Ezra Steenkamp, National Department of Agriculture, Private Bag X791, Pretoria. December 1999.
[78] "*A Quantitative Analysis of Aspects of Merchandise Trade between South Africa and the United States",* Katherine Gibson, Carol Molate & Dirk Ernst van Seventer, TIPS, May 2003.

A review of the trade policies for both Switzerland (which includes Liechtenstein) and Norway has been provided. This leaves Iceland as the fourth member of EFTA.

The only real issue here is agricultural products, as the reviews highlight just how heavily protected this sector is in the EFTA countries. Switzerland has 28 WTO tariff quotas registered, while Norway has 230, and both have extreme levels of support to their domestic sectors.

A large share of the imports into Norway is under some form of preference. These includes agricultural imports from least developing countries except grain, flour and feedstuffs and from developing countries except dairy products, live animals and certain processed agricultural products under the GSP scheme. To date Norway's FTAs have excluded most of the unprocessed foodstuffs.

Similarly, in general, regional and bilateral trade agreements concluded by Switzerland and Liechtenstein involve several sectors, and unprocessed agricultural products are not covered. South Africa would need to closely examine the correlations between potential exports and current tariff quota restrictions in order to remove this particular NTM. In Switzerland and Liechtenstein the maximum tariff rate of 678% applies to out-of-tariff-quota imports of meat and edible offal of poultry; rates higher than 400% apply to meat of bovine animals, meat of swine, edible offal, certain dairy products and live plants, and specified edible vegetables, roots and tubers. This highlights the benefits that could be gained if the tariff quota access could be relaxed under a trade agreement.

MERCOSUR

Given the internal difficulties that MERCOSUR has had in recent times it may be more realistic to concentrate upon a potential FTA with Brazil, a country similar in many respects to South Africa and with enormous potential. Brazil, South Africa and India (discussed in the next section) have become key players on the international stage with their Doha Round proposals, and a leveraging of that momentum in the form of economic cooperation would have a huge demonstration effect for the Round.

The protected nature of the automobile sector in both Argentina and Brazil suggests there may be opportunities to negotiate more favourable access around these NTMs, and especially as Brazil has negotiated some side deals with other third countries.

Brazil is an active user of anti-dumping measures, and an FTA may assist in securing better protection for South African exporters against trade remedies. The steel sector may be a case in point. SPS measures are judged by the US as being an issue, but an FTA is not likely to alleviate these problems.

Earlier TIPS research[79] demonstrates that the OECD dominates the trade of SACU, Mercosur and India and East Asian states. Their South–South trade is modest. For an FTA to have a direct effect on this pattern, one of the reasons for the concentration on some trade partners must be the presence of artificial barriers in the others (rather than just being a reflection of production and consumption patterns). TIPS[80] also used the RTM approach to examine trade between South Africa and Brazil. They found motor vehicles, textile fibres, a range of machinery goods, furniture and fruit and vegetables to be significant export commodities that are considerably under traded in the Brazilian market These studies points to NTMs being a factor in restricting trade flows and hence potential under a comprehensive FTA to increase them.

India

India, like Brazil, it has enormous industrial potential, but despite some impressive but stalled trade policy reforms in recent years it still is a difficult and highly bureaucratic market to operate in.[81] NTMs are numerous and often very subtle. Even the tariff schedule itself could be considered an impediment to trade given its complexity.

An agreement on anti-dumping may be an option in an FTA, as India is a major user of trade remedies, although the prospects of getting such a comprehensive agreement with India must be viewed realistically.

Cooperation on automobile trade may be a more achievable goal, as a competitive advantage into this market could pay long-term benefits to the South African industry.

The possibility of an FTA with India is an intriguing prospect. A comprehensive FTA should be considered as having a low possibility but a high payoff, suggesting that it does present a realistic option for South Africa to pursue.

General summary

The following points are provided in summary of this initial scoping study.

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[79] FTAs with India and Brazil: An Initial Analysis Matthew Stern & Christopher Stevens. TIPS Working Paper 10_2000

[80] "A Quantitative Analysis of Aspects of Trade between South Africa and Brazil", TIPS internal report, Anon and undated.

[81] "A Free Trade Area Between South Africa And India: Which Commodities Matter?" By Dirk Ernst van Seventer, TIPS, and Thembi Mlangeni, DTI Paper presented at the TIPS Policy Review Workshop held in August 2001. This paper reviews the tariff related gains from an FTA with India, and a more in-depth survey and analysis of NTMs would be a natural companion to this paper. They found that transport equipment; a range of machinery and electrical machinery product groups; and a number of food product groups are "undertraded" from South Africa to the Indian market, suggesting that NTMs restricting these exports may be in play.

Quantification of the costs of NTMs is difficult. Many attempts, including some theoretically elegant methodologies, have been made but there is no accepted way of getting a good idea of the costs involved. This study concentrates on an initial identification and qualitative scoping study. It lays the foundation for an in-depth survey of businesses to obtain a comprehensive cataloguing of the NTMs as they see them in their markets.

The major exports from the region of mineral products and precious metals seem to face few non-tariff measures inhibiting trade, but the same cannot be said for both manufacturing exports and agricultural products. The latter represents perhaps the best export opportunities for many of the smaller countries in the region, so these NTMs are crucial. SPS barriers in particular are an ongoing problem, and one that is particularly severe for the smaller countries and their similarly small-scale production systems and limited resources.

NTMs are not all bad news to the region in the short to medium term, as several instances have been identified where the regional is benefiting by gaining preferential access and consequently economic rents to otherwise protected markets. Sugar and textile products are the best examples, with Mauritius the country gaining the most from these rents. The problem is that they may well be transitory gains, and in both the sugar and clothing trade there must be nervousness that exporters cannot continue to rely upon these access conditions alone. The intermediate time before more liberal access to competitors becomes a reality must be used to cement in international competitiveness to ensure the longer term viability of these industries.

There are enough problems and potential problems identified in this study to suggest that a more comprehensive review and survey of leading exporters is warranted. NTMs are one of those subjects that everyone knows is bad, yet little is done to analyse just how serious the problem is. International research seems to suggest that it is becoming increasingly crucial as tariffs *per se* are reducing. This is likely to accelerate as (hopefully) the Doha Development Round does indeed liberate trade access for the developing countries into the developed markets, although barriers to the so-called South-South trade must not be overlooked.

In the aftermath of the Cancun Ministerial Meeting and the associated emphasis on regional trading arrangements from the US in particular, there is a greater urgency than ever to take bolder moves to create a more conducive environment for our business sector. An unequivocal commitment to address NTMs would produce tangible benefits through lowering compliance costs for the business sector. The importance of this should not be underestimated.

While FTAs will promote trade between the partners, their proliferation creates a danger that conflicting rules of origin might inhibit direct trade by requiring exporters to meet different rules for different markets. Furthermore, a Mutual Recognition Agreement with a partner or partners outside the region may involve extra transaction costs for regional traders as they struggle to meet differing requirements. Care needs to be taken

to ensure that neither the FTA itself nor any associated MRAs do not, in themselves, create another NTM and add to the costs of exporters.

The Way Forward

There is enough material presented in this paper to suggest that there are NTMs inhibiting export flows from Southern Africa, not withstanding that in some instances preferential access means the region actually benefits from these NTMs. It cannot be stressed enough that these economic rents through preferential access are likely to be transitory as international barriers are reduced either through a multilateral agreement such as a broad outcome from the WTO Doha Round or other negotiated bilateral deals with competitor countries for better access into the EU and the US in particular that undermines Southern Africa's gains.

Possible approaches in both the multilateral arena and in bilateral negotiations are outlined earlier in this Section. For the bilaterals the suite of FTAs that South Africa is either actively engaged in or is considering represents opportunities. It is not apparent that these opportunities have been taken in the past, and in fact the agreement with the EU formally introduced another, and globally new, NTM in the form of geographical indications that impacts on South African wine exports. A caution must be added here that confusing and conflicting rules of origin and standards (generally adopted under a Mutual Recognition Agreement) may actually add to the costs of doing business rather than decreasing them.

Obtaining More Information and Verifying Some of the Concerns Raised

This paper has been compiled from secondary sources. These are no real substitute for primary data. There are three options.

The first is a series of face-to-face interviews with key people in leading exporting firms. One such study is that conducted by Ronald Fischer, where he interviewed 15 Chilean exporters.[82] He found that: firms were unable to make a quantitative estimate of the global effects of trade barriers and barely able to even order countries by their degrees of protection; administrative barriers were important; and that exporters perceived few non-tariff barriers to trade in their exports to developed countries. Of interest to South Africa, he also found that Brazil is significantly more protectionist than other Latin American countries, even though Chile has an FTA with Brazil.

Surveys that seem to approximate this approach have been made in the region[83].

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[82] "Effects of Protectionism on Chilean Exporters: An Exploratory Survey", presented to an APEC Capacity Building Workshop on Quantitative Methods for Assessing NTMs and Trade Facilitation, Bangkok, Thailand, October 8-10, 2003.

[83] Two are "Non tariff barriers in Common Market for Eastern and Southern Africa (COMESA)", *COMESA Secretariat*, Lusaka, Zambia, December 2001, and "Performance and constraints to Zimbabwe's Manufacturing sector in intra-COMESA trade; export/import strategy and technology limitations", *Moses Tekere*, 1995. Report available through COMESA's electronic Regional Integration

The second is a more detailed mail (email) survey of a much larger group of exporters using a structured questionnaire. In Section 5, during the discussion on fish and fish products, references were made to a June 2001 ACNielsen survey of business managers assessing the extent of NTMs facing New Zealand exporters.[84] This is an example of a comprehensive survey. Around a thousand questionnaires were sent out and 381 exporters responded. Unfortunately these studies are both expansive and resource-intensive. The questionnaire has to be developed and tested, mailing lists compiled, follow up actions often initiated, and a reliable assessment of the results made.

The final option is to gain access to one of the major international agencies undertaking this work. The OECD database has been utilized in this report, although it is itself an extension and compilation of secondary sources such as the lists prepared by the EU, US and Japan, and referenced in the main study. Another source is the long-standing UNCTAD database, although this seems to be very dated.

Potentially the WTO notification list that members were to submit by the end of January 2003 should be valuable[85]. However, very few countries had submitted by September, and of those who did the results were of little practical value, as individual countries were not identified. By far the two largest lists were submitted by the Philippines and New Zealand respectively. For New Zealand a country code is given, which means that individual countries could be identified, and the data is hard information based upon both the ACNielsen survey cited above and supplementary interviews. The Philippines list is merely a comprehensive listing of all NTMs assessed by others in some form or other and is neither verified nor relevant to individual countries.

The US International Trade Commission (USITC) is compiling its own list of NTB into a comprehensive database. The preliminary database includes information on NTMs that have been notified or all alleged in 53 economies around the world. Information is being been compiled from a variety of sources, including the WTO TPRMs and the US and EC databases. This data is not available to others outside of the US system though.

Final Recommendations

The next step with this study is to commission research to undertake a series of interviews with key exporting and business personal. These need not be extensive, and possibly could be undertaken with a view to using these interviews as a first step to a more comprehensive survey. Careful consideration would need to be given to designing a robust questionnaire and to whom the major players may be.

Research Project. (http://www.comesa.int/finance/tekere.htm). Neither of these was located for integration into the main paper.

[84] "**Assessing the presence and impact of non-tariff trade barriers on exporters**", *ACNielsen,* Wellington, New Zealand, June 2001. On http://www.standards.co.nz/exportsuccess/

[85] See http://docsonline.wto.org

Although such an exercise would need resources, for an initial and perhaps pilot study those recourses would not be demanding.

What Information is Needed?

In a nutshell, the data required is:

What is your product?

Where are your markets or potential markets?

What is the problem(s)?

For a small face-to-face survey a reference sheet for the interviewer would be desirable. Although those are the three key questions some background information and a general lead-in would be needed, as much to guide the interviewer as follow a structure to get the answers. A tick off sheet for the main products would help, with a short box for additional information. The markets would need a box for main and "others".

A listing of the main NTMs discussed in the main paper would be desirable. Perhaps 10 to 12, with room for "other" boxes. Generally the information on a ranking from perhaps "minor irritant" through to "prohibits trade" is used to get a feel for the severity of the problem.

As with all surveys, trial it to get the interview flowing smoothly and ensure the correct answer is collected. It is desirable to have a structured system so that the interviewer can just tick and make some comments rather than have to write in detail at the interview.

Target persons would be industry or sector people at as high a level as possible with the particular knowledge of international markets. There generally would be such a person in most exporting companies or sector coordinating groups. People such as Business Councils and Chambers of Commerce can also be helpful. For useful and reasonably comprehensive study 15 to 20 interviews may be sufficient; especially if they are the right 15 or 20 people. In some instances a phone call may suffice, but face-to-face is better. These interviews could be undertaken either by a competent in-house person or placed through one of the specialist market research firms.

Another potential source of information that could and should be explored is to contact the South African Department of Trade and Industry representatives in key countries. These people are dealing with NTMs almost on a daily basis, and would have a useful knowledge of the problems.

Glossary of acronyms

EBA	Everything But Arms (EU Preferences)
ACPC	Association of Coffee Producing Countries
AD	Anti-dumping
AGOA	African Growth and Opportunities Act (with the US)
ATC	Agreement on Textiles and Clothing
BLNS	Botswana, Lesotho, Namibia and Swaziland
BSE	**B**ovine Spongiform Encephalopathy
CAC	Codex Alimentarius Commission
CEP	Closer Economic Partnership
CET	Common External Tariff
CIE	Australian Centre for International Economics
COMESA	The Common Market for Eastern and Southern Africa
CV	countervailing duties
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations.
EFTA	European Free Trade Agreement
FTA	Free Trade Agreement
FCTC	Framework Convention for Tobacco Control
FMD	Foot and Mouth Disease (in bovine animals)
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GI	Geographical Indicators

GMO	Genetically Modified Organism
GSP	generalised system of preferences (tariff concession to developing countries)
GTAP	Global Trade Analysis Project
HS	WCO's Harmonised System of trade classification
ITC	United States International Trade Commission
LDC	Less Developed Country
MERCOSUR	Argentina, Brazil, Uruguay and Paraguay
MFAT	New Zealand Ministry of Foreign Affairs and Trade
MFN	Most Favoured Nation
MRA	Mutual Recognition Agreement
MIDP	Motor Industry Development Programme
NTB	Non Tariff Barrier
NTM	Non Tariff Measures
OECD	Organisation for Economic Cooperation and Development
PSE	Producer Subsidy Equivalent (measures protection rates)
ROO	Rules of Origin
RTP	Regional Trade Preferences
SA	South Africa
SACU	The South African Customs Union countries of South Africa, Botswana, Namibia, Swaziland and Lesotho
SADC	Southern African Development Community
SITC	Standard Industry Trade Classification
SPS	Sanitary and Phytosanitary Measures

TBT	Agreement on Technical Barriers to Trade
TCDA	Trade, Development and Cooperation Agreement between the EU and South Africa
TIPS	Johannesburg-based Trade and Industrial Policy Scenarios
TPRM	Trade Policy Review Mechanism of the WTO
TRQ	Tariff Rate Quota
UNCTAD	United Nations Committee on Trade and Development
UR	Uruguay Round of the GATT
VAT	Value-added tax
WTO	World Trade Organisation (replaced the GATT)

Glossary of trade terms

Agreement on Agriculture - the first multilateral framework for the long-term reform of agricultural trade, through the creation of specific rules and commitments for international and domestic agricultural activities.

Agriculture - In the **WTO** context, "agriculture" covers a wide range of products derived from the livestock, arable and horticultural sector, including meat, dairy, fruit, vegetables, grains, wool, wine, tobacco and many processed goods.

Anti-dumping duties - special import duties imposed when a firm, following an enquiry, is assessed as having sold a product in the importing market at a price below the one it charges in the home market.

Bilateral - between two parties, eg. CER is a bilateral trade agreement between New Zealand and Australia.

Cairns Group - A group formed in 1986, comprising 17 WTO members dedicated to the fundamental reform of the agricultural trading system. The Chair is Australia. Other members are New Zealand, Argentina, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, Philippines, Paraguay, South Africa, Thailand and Uruguay.

Countervailing duties - special duties imposed on imports to offset the actual or potential injurious effects (i.e. price undercutting) of subsidies to producers or exporters

in the country of export.

Developing countries - in the WTO, a self-selecting group of countries, ranging from those with a relatively high level of GDP (eg. Singapore) to those with a low level of GDP. Under the Uruguay Round's **Agreement on Agriculture**, developing countries have special exemptions allowing, for example, the continued use of certain domestic and export subsidies. In addition, developing countries reduced tariffs and subsidies to a lesser extent and over a longer period during the UR.

Dispute settlement - within the WTO, enables members to challenge the actions of others they believe breach WTO rules.

Doha Development Agenda (DDA) - created after WTO members in November 2001 launched a new round of global trade negotiations, named after the Gulf city where the talks took place. Development related commitments are mentioned under virtually every issue.

Domestic Support - One of the three pillars of the **Agreement on Agriculture**: government support for the domestic agriculture sector.

Dumping - exporting goods at a price lower than the price normally charged on the domestic market. Governments in the importing country may levy anti-dumping duties, designed to offset the actual or potential injurious effects of dumping practices.

Export Subsidies - government payments or other financial contributions provided to domestic producers or exporters if they export their goods and services (i.e. contingent on export performance).

FTA - Free Trade Agreement, also known as preferential trade agreement, between two or more states. Involves the parties granting tariff preference to each other's suppliers, along with other benefits in areas such as government procurement and **non-tariff measures**.

Globalisation - the growing economic interdependence of countries world-wide through the increasing volume and variety of cross-border transactions in goods and services, and also through the more rapid and widespread diffusion of technology. Not just an economic phenomenon, but frequently described as such.

Government procurement - purchases by central and territorial governments.

MRAs - Mutual Recognition Arrangements are agreements between two or more economies to recognise each other's standards, qualifications or licensing requirements. MRAs can cover goods, services, education and professional qualifications.

Natural persons - People, as distinct from juridical persons such as companies and organisations. "Movement of natural persons" concerns the ease of travel through and

ability to live and work in other countries.

Non-discrimination - a core principle of the multilateral trading system under the WTO. It includes most favoured nation (**MFN**) treatment and **national treatment**.

Preference - access to markets on more favourable terms for particular suppliers, eg. New Zealand and Australia grant each other duty-free entry for Australasian goods under **CER**.

Reference prices (or check prices) – values for the assessment of import duties that are administratively and arbitrarily set for imports rather than accepting the declared market value of these goods.

Quota (or **Tariff Quotas**) - as a result of the Uruguay Round Agreement of the GATT these are devices that enabled importing countries to replace non-tariff measures such as general import quotas and voluntary export constraints with limits on imports. They involve a specified quantity that is allowed entry at a low (or zero) tariff rate, with imports over this quantity subject to the general tariff rate.

Rules of origin - the production and content criteria defining where a good comes from, eg. in CER at least half the factory-gate price of the goods must be due to New Zealand input for them to be of New Zealand origin.

Safeguard action - temporary measures to allow companies to adjust to heightened competition from foreign suppliers, even where the competition is not a result of dumped or subsidised product. An example is the penalty tariffs the United States is currently imposing on some steel imports, including from New Zealand.

State Trading Enterprises (sometimes known as Single Desk Selling) - defined in the WTO as "Government and non-government enterprises, including marketing boards, which have been granted exclusive or special rights or privileges, including statutory or constitutional powers, in the exercise of which they influence through their purchase or sales the levels or direct of imports or exports".

Tariffs - a tax levied on imports of goods as they cross the border. These may be a percentage of the product's value or a set monetary amount, known as 'specific tariffs.' In most countries, including New Zealand, a difference exists between a permissible maximum - or "bound" - rate agreed with the WTO and the lower unbound or "applied" rate levied on imports.

Tariff escalation - tariff rates that increase with each additional level of processing, thus penalising value-added products, as is often the case with our wood exports.

Tariff quotas - allow a certain volume of product access at a lower **tariff** level. A higher tariff is charged on products imported outside the tariff quota.

Trade liberalisation - the process of lowering national barriers to trade in goods, services and intellectual property.

Trade policy - the complete framework of laws, regulations, international agreements and negotiating stances adopted by Government to achieve legally binding overseas market access for domestic firms.

World Bank - International Bank for Reconstruction and Development.

WTO - World Trade Organization. An international body based in Geneva dealing with the rules of trade among member economies, so far numbering nearly 150. WTO established in January 1995 but includes the various agreements from previous negotiations notably GATT.