



Fostering Equity and Accountability in the Trading System (FEATS) Project

CUTS Geneva Resource Centre

National Dialogue Report: Zambia, 8 April 2009

FEATS Background

The FEATS project of CUTS began in 2008 and will continue through March 2011 with the broad goals to raise awareness for better coherence between development and trade policies, thus contributing to economic development and poverty reduction in project countries. FEATS project countries include Kenya, Malawi, Tanzania, Uganda, and Zambia. The project is divided into two phases of trade policy research, the first to analyze the political economy aspects of trade policy-making in the project countries and the second to focus on a specific issue within the topic of “Trade in Agriculture.” First phase research drafts were completed in early 2009 and will be revised for presentation at the National Dialogues in each country to occur in April – May 2009. National Dialogues will serve to validate the research findings in the first phase, strengthen the networks established under the FEATS project, and to discuss and finalize the Terms of Reference for issue-specific studies within “Trade in Agriculture” for the second phase.

National Dialogue Report: Introduction

The National Dialogue (ND) in Lusaka was divided into two substantive sessions: one to discuss the first phase research and the second to make progress on the Terms of Reference (ToRs) for the second phase research. As part of the first session, a questionnaire was circulated with questions aimed at validating the research output of the first study, as well as to fill in some research gaps. About 40 participants attended the ND in Lusaka and in terms of institutions; most Zambia National Reference Group (NRG) members were present although some were represented by different members from those who attended the National Inception Meetings in October 2008.

Session I: Presentation of Phase One research findings

Patrick Chengo of CUTS Africa Resource Centre presented the research findings to the National Dialogue participants. Discussion was interesting and useful comments were received:

- a) Even though the Ministry of Trade (MCTI) was not represented as they were busy with the EIF team from Geneva and participants in the NSC, other ND attendees

praised the efforts of the Ministry to inform stakeholders about trade policy issues. They also mentioned that more could be done in this area but a lack of capacity came in the way.

- b) It was clarified that even though there may be just one PhD in the University of Zambia on international trade , other lecturers and professors with different PhDs had sufficient experience and capacity to research on trade and health issues.
- c) One participant suggested the creation of a Sector Advisory Group for Trade.
- d) Another participant stated that agriculture was a sensitive sector in Zambia due to fertilizer subsidies and the food reserve agency. Massachusetts University supports the Agriculture Consultative Forum (ACF) to build its capacity to encourage evidence based policy-making and would like to see further participation of MCTI in the ACF.
- e) Another participant questioned the statistics on poverty in Zambia, particularly regarding urban poverty. He suggested the revision of poverty statistics regarding the share of urban poverty. Another participant explained, however, that the statistics were correct due to the migration of rural population to urban areas for jobs. The representation of SADC as a major export destination was questioned as the trade with DRC was double counted across SADC and COMESA. The role of the private sector in policy improvement was underplayed and the Economic Empowerment Act was quoted as their contribution. Coordination among CSOs on trade had decreased in the last 6-7 months and the trade working group should come up with suggestions on better coordination.
- f) Another participant praised CUTS and stated that Geneva diplomats use its publications for negotiations and other needs. Reference to Switzerland as the top export destination must be seen in the correct perspective. It was a Swiss company that mines and exports copper out of Zambia but to numerous destinations, but the export data only recorded this as being sent to Switzerland.
- g) Another participant suggested that identification of offensive and defensive interests of Zambia should be the main focus of the research recommendations.
- h) A government representative suggested corrections to the policy-making process. He clarified particularly that policy was the competence of the executive, not Parliament.
- i) A number of comments related to the substance of Zambia's trade performance rather than the trade policy-making process. For example, it was mentioned that there exists a need to monitor extractive industries (there is already some effort on this by CARITAS), to retain profits in Zambia, to better develop Zambia's manufacturing sector to reap benefits of liberalization, and to explore the issue of absentee owners etc. CUTS responded that a careful note had been made of these comments for possible future research on substantive issues.

- j) An interesting discussion ensued on the fact that both Zambia and India started their liberalization processes in the same year (1991) yet India has seen better results. It was felt that the main reasons for this were the presence of an Indian manufacturing industry and a large domestic market, as well as the installation of requisite functional institutional and regulatory bodies by India.

Following the discussion of phase one research, the questionnaire was circulated. Duly completed questionnaires were collected for use in refining the research.

Before concluding the first session, a discussion was held to identify any issues other than those relating to the agricultural sector that may be referenced for a future research or advocacy exercise by CUTS. Some issues mentioned were;

- a) Flanking policies relevant for a liberal economy like Zambia should be identified.
- b) Zambia has not been able to benefit from AGOA of the US. A study of the causes surrounding this would be helpful.
- c) Building the capacity of Ministries as well as CSOs and other stakeholders was emphasized. Domestic trade opportunities were not adequately addressed by the MCTI. The ability to generate enough agricultural commodities for export must be addressed as well.
- d) Trade in services, particularly tourism services, was highlighted; issues such as adding touristic attractions (i.e. constructing sauna baths and similar luxury facilities) could add to Zambia's tourism profile.
- e) Obtaining more accurate information on informal trade was paramount to determining export potential. Significant quantities of subsidized milk were coming into Zambia from Zimbabwe and a number of Zambian goods were going into contiguous countries through this informal trade.
- f) A related issue was regional trade integration; within the COMESA FTA, goods were moving in and out of Zambia from and to the region. The implication of these movements needs to be assessed.
- g) The taste of Zambian goods such as fruits, vegetables, and yogurt was better than imported ones. An agreement with chains like "Shoprite" of South Africa to sell these products with this USP of taste should be explored.
- h) Firms operating in Zambia need to be informed of their corporate social responsibilities.
- i) A renewed attempt is required to assess the benefits of liberalization must be made. Also, safeguard mechanisms such as anti-dumping and anti-subsidy measures should be identified and implemented.

Session II: Discussion of second phase research ToRs

Atul Kaushik, Director, CUTS Geneva Resource Centre explained the research needs for the second phase of the FEATS project, as identified after discussion with the Zambia National Reference Group and the Project Advisory Committee. He then made a presentation on the draft Terms of Reference prepared by CUTS based on this needs assessment and explained various components of the proposed research, its time lines and resources. He sought suggestions from the participants in order to make the research more relevant to the Zambian economy and the aims of the FEATS project.

The ToRs were discussed at length. It was agreed that the timeframe and the direction of proposed research were in order and such research focused on agriculture sector is imminently required. It was mentioned that certain specificities of trade in Zambia need to be kept in view while conducting the second phase research. For example, the potentials of domestic and international trade are different; we need to determine exactly how productivity will be measured; infrastructure issues and delivery channels have to be identified in a feasible manner; determination of a good price of commodities should take into account the middlemen operating in Zambia; and reliability of statistics is questionable and should be verified. Furthermore, regional differences and variations in productivity have to be taken into account. It is a moot point whether the focus of future action should be on currently exportable products or those having an export potential. Further questions posed included; should crops not be identified? What would be the effect of regional integration and EPA on trade? It was also stated that credits and payment procedures should also be studied. Finally, it was mentioned that the research should benefit from the NEPAD initiatives.

It was also emphasized in that research for this phase should be conducted on the ground and should have a reasonable sample for the rigour of research. It was also suggested that horizontal research on all issues identified in the ToR may prove useful in the second phase to get a maximum value from the research. This horizontal analysis could then be followed by a vertical assessment on a selected number of crops and regions to conduct vertically intensive research on those with empirical data.

Conclusions

In the National Dialogue it was agreed that the phase one research study for Zambia is generally good and with the few changes suggested during the discussions, it could constitute an important input for stakeholders, for an understanding of basic trade policy-making within the country. The Inclusive Trade Policy making Index was appreciated as a novel and very useful way of assessing inclusiveness of the trade policy making process.

In regard to the ToRs for the second phase research studies, participants to the ND stated that the ToRs represented a fair need assessment of the research areas within their country.