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An Assessment of the Zimbabwe-Namibia Bilateral Preferential Trade Agreement

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ASTRACT The objective of this paper was to assess the Zimbabwe-Namibia preferential bilateral trade agreement to see if it has been beneficial to both countries. The authors used trade statistics obtained from the International Trade Centre's Trademap for both exports and imports for the period 2005-2014 for Zimbabwe and Namibia. These statistics were then analyzed and compared with trade statistics from the same source for the same period relating to other preferential bilateral agreements Zimbabwe has with other countries such as Botswana, DR Congo, Malawi, Mozambique and South Africa. The results showed that both parties have utilized the Zimbabwe-Botswana agreement. The Zimbabwe-Malawi agreement is underutilized but much better than the Zimbabwe-Namibia agreement. The Zimbabwe-Mozambique agreement is performing well. The Zimbabwe-DR Congo performed exceptionally well in 2006. The Zimbabwe-South Africa agreement has an outstanding performance. The value of their trade was at its peak in 2011 amounting to US$7,193,064,000. South Africa is the major trade partner of Zimbabwe. Zimbabwe-Namibia trade agreement is the least performer of all the agreements compared. The highest value of two-way trade was recorded in 2014 amounting to US$26,768,000. It is clear from the results that the agreement has benefited neither country. The author has recommended that Zimbabwe and Namibia should jointly institute a study to identify and correct the problems associated with the agreement.

INTRODUCTION

Countries maintain bilateral trade agreements with neighboring countries and others afar. The purpose of such agreements is to foster trade. When there is a bilateral trade agreement, it is possible to increase trade. Bilateral trade agreements may also foster good relations among countries. Zimbabwe in pursue of the above, has entered several bilateral trade agreements with its neighbors and others.

Objective

This paper intends to assess the Zimbabwe-Namibia preferential bilateral trade agreement to study if it has been beneficial to both countries.

Background

Zimbabwe

Zimbabwe, since gaining independence on April 18, 1980, has entered into several bilateral, regional and multilateral trade agreements. It became a member of the General Agreement on Tariff and Trade (GATT) on July 11, 1948. It then became a member of GATT's successor the World Trade Organization (WTO) on March 5, 1995 (World Trade Organization 2015). Zimbabwe is also a member of the African, Caribbean and Pacific (ACP) nations (African Caribbean and Pacific 2015). The most important aspect in the ACP is the Economic Partnership Agreement (EPA) with the European Union inline with the Cotonou Agreement of June 2000. The purpose of EPA includes, reduction of poverty, fostering sustainable development in ACP nations and their integration in the world market (Ndyeshobola 2004). The specific objectives includes: economic diversification of the ACP nations within the context of regional integration, increasing production and supply capabilities of ACP nations, promotion of structural processes, and enhancement of sustainable growth (Ndyeshobola 2004). EPA intended to come up with a specific development objective. The European Union and ACP states agreed to come up with new trade agreements that would correct the deteriorating ACP trade performance (European Union 2010). According to Durante and Sophia (2013), the agreements comprise the fundamentals such as partnership, participation, dialogue and common obligations. Zimbabwe signed an interim agreement with the European Union on the EPA on 29th August 2009 (ZimTrade 2010).

The other regional and multilateral trade agreements Zimbabwe has signed, are Southern African Development Community (SADC) Trade Protocol and the Common Market for Eastern and Southern African States (COMESA) Treaty. On the bilateral level, Zimbabwe has trade agreements with Botswana, Malawi, Mozambique, DR Congo and South Africa. In addition to the above bilateral preferential agreements, Zimbabwe has a host of most favored nation (MFN) agreements but they do not give Zimbabwe any preferential advantage, hence it is not worthy listing the countries. Zimbabwe is a recipient of the Generalized System of Preference (GSP) schemes. The United Nations Conference on Trade Development (UNCTAD) established the GSP schemes. The GSP is aimed at promoting growth in developing countries by giving them access through preferential duty entry. GSP schemes are accorded by developed nations to developing nations. Zimbabwe is the recipient of the GSP schemes accorded to it by the European Union, USA, Canada, Japan, New Zealand, Norway, Russia Federation, Switzerland and Turkey (ZimTrade 2010). All the above agreements assist Zimbabwe gain market access.

Namibia

Namibia gained her independence in 1990 (African Development Bank 2007). Namibia has a population of about 2.2 million (Heritage 2016). It falls in the middle-income nation category with per capita income of around US$1800 (National Policy Commission, 2007). Namibia is a member of the Southern African Development Community (SADC). It is also a member of the Southern African Customs Union (SACU). Namibia hosts the Headquarters of SACU. Namibia is also a member of BLNS that is Botswana, Lesotho, Namibia and Swaziland where it is one of the major players in that grouping (Erasmus 2014).

Namibia's overall economic policy is given in what is known as the Vision 2030 framework. This is Namibia's long-term development plan. Inline with the above vision, Namibia has fostered trade liberalization as a way of gaining access to external markets (National Policy Commission 2007). Under trade liberalization, the most important incentive is the Export Processing Zones (EPZ). Firms accorded this status have a wide range of incentives to help them boost production and exports (National Policy Commission 2007). The Government of Namibia introduced several incentives in early 1990s mainly in the manufacturing sector to encourage exports. An evaluation in 2006 proved that the incentives regime did not manage to attract investors. Further, there were no employment gains and enhanced export performance. There were only 19 EPZ firms (World Bank and International Finance Corporation 2006). As regards to non-tax based incentives, EPZ registered firms are entitled to financial assistance for industrial studies and expenses related to export promotion activities. Manufacturers can obtain the maximum of fifty percent of their direct costs of approved export promotion activities (World Bank and International Finance Corporation, 2006). According to Dearden (2006), there were some clear evidences that Namibia experienced capital flight since investment fell below domestic savings. Non-agricultural primary products were dominant in the composition of exports, for example, diamonds comprised twenty-nine percent of these and fish, twenty-four percent. The European Union is the main market, accounting sixty percent of its exports. On the import side, South Africa is the major source, of accounting eighty-five percent of Namibia's imports.

Zimbabwe and Namibia's Relationship

Zimbabwe and Namibia have excellent political relations dating back from the liberation struggle. That political relationship extended to include trade a relationship. The desire to cement relationship and enhance market access into each other's market led to the signing of a bilateral trade agreement. The agreement became functional in 1992. It is the preferential agreement, which is reciprocal and requires twenty-five percent domestic content. The other products eligible in this agreement are mineral products, vegetable products, live animals and their products (ZimTrade 2010).

Literature Review on Bilateral Trade Agreements

Bilateral trade agreements are entered between two or several countries. Internationally, bilateral and regional trade agreements have become part of policy matrix (Australian Government Productivity Commission 2010). According to Suhail and Sreejesh (2011), bilateral trade agreements have become very important in the emerging markets and offer market opportunities for developing countries. Bilateral and regional free trade agreements (FTAs), which are reciprocal in nature have the same effect and are recognized as the "second best" when there is trade liberalization amongst trading partners (Krueger 1997).

According to the European Union Commission (2015), bilateral trade agreements have a potential of boosting GDP of the countries entering into them. Increase in trade under the bilateral FTAs has the benefit of changing composition of exports and imports (Abeyratne 2012). However, not all countries that have entered these bilateral trade agreements have benefited from them. In this regard, the Australian Government Productivity Commission (2010) warns that although bilateral and regional trade agreements have potential of benefits, countries should only enter them if they can bring to them net economic gains.

There is also a need to evaluate the on going bilateral trade agreements. This gives an opportunity to the contracting parties to examine the agreements and improve their performance. According to Abeyratne (2012), an evaluation of bilateral trade arrangements performance often entail examination of the goods trade inside and outside the free trade areas (FTAs) and further analysis of the relevant structural changes manifested in trade patterns.

METHODOLOGY

In order to assess the performance of the Zimbabwe-Namibia preferential bilateral agreement, the author used trade statistics provided by the International Trade Centre (ITC), Trademap for both exports and imports for the period 2005-2014. These statistics were analyzed and then compared with trade statistics also obtained from Trademap relating to other bilateral preferential agreements Zimbabwe has with other countries namely: Botswana, Malawi, Mozambique, DR Congo and South Africa, for both exports and imports for 2005-2014. By comparing the Zimbabwe-Namibia trade statistics of two-way trade in context of the performance of the related bilateral agreements the author was able to establish the performance of this agreement.

RESULTS AND DISCUSSION

Zimbabwe has experienced trade deficits with Botswana (see Table 1) in 2004, 2005, 2007, 2006, 2009, 2010, 2011, 2012, 2013 and 2014, leaving out 2006. The surplus in 2006 amounted to US$87,358,000. Zimbabwe has recorded no other surplus with Botswana apart from the once off it had in 2006. The deficits amounted to US$40,637,000 in 2004, US$75,028,000 in 2005, US$208,148,000 in 2007, US$57,821,000 in 2008, US$161,689,000 in 2009, US$187,711,000 in 2010, US$166,723,000 in 2011, US$64,094,000 in 2012, US$131,928,000 in 2013 and US$120,063,000 in 2014. The highest deficit was recorded in 2007. The lowest deficit was recorded in 2004. Zimbabwe's exports to Botswana have been fluctuating. The least was recorded in 2014 and the second one in 2010. In terms of value of two-way trade, it was the highest in 2007 when it reached US$609,920,000.

The trade statistics indicate that trade has been beneficial on both sides. Zimbabwe exported goods worthy US$299,411,000 in 2006 to Botswana. The figure was quite high considering the performance by Zimbabwe globally. Zimbabwe's total exports in 2006 amounted to US$6,427,357,000. However, Zimbabwe imported goods from Botswana worth US$409,034,000 in 2007 when Zimbabwe's total global imports amounted to US$3,441,651,000 for the same period. Generally, both parties have utilized the agreement, although Botswana has enjoyed favourable trade balances most of the years covered, except 2006.

Zimbabwe's exports to Malawi have been fluctuating (see Table 2). However, Zimbabwe had trade surpluses amounting to US$22,902,000 in 2005, US$25,446,000 in 2006, US$48,361,000 in 2008 and US$23,258,000 in 2009. Zimbabwe, however, experienced trade deficits with Malawi amounting to US$113,845,000 in 2007, US$9,324,000 in 2010, US$69,217,000 in 2011, US$37,318,000 in 2012, US$38,898,000 in 2013 and US$40,368,000 in 2014. Since 2010, Zimbabwe has recorded no surplus with Malawi. Zimbabwe recorded the highest deficit in 2007 and the least deficit in 2010. The deficit was huge enough to almost wipe out the surplus Zimbabwe enjoyed in other years. Surprisingly, Zimbabwe recorded surpluses with Mozambique in 2012, 2013 and 2014 but recorded a deficit with Malawi during the same period and it improved its ex-

Table 1: Zimbabwe's exports and imports to and from Botswana 2005-2014, value in US$

	2004		*2005*		*2006*		*2007*		*2008*		*2009*		*2010*		*2011*		*2012*		*2013*	*2014*
Exports	48	248	29	597	299	411	200	886	157	027	36	910	27	969	39	423	48	796	44	27
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Imports	88	921	104	625	212	053	409	034	214	848	198	599	215	680	206	112	175	148		
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Source: Trademap 2015

Table 2: Zimbabwe's exports and imports to and from Malawi 2005-2014 value US$

	2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*
Exports	25 807 000	43 363 000	57 727 000	72 695 000	29 924 000	34 616 000	19 631 000	5 748 000	7 027 000	4 752 000
Imports	2 905 000	17 917 000	171 572 000	24 334 000	6 666 000	43 940 000	88 848 000	43 916 000	45 915 000	45 120 000

Source: Trademap 2015

Table 3: Zimbabwe's exports and imports to and from Mozambique 2005-2014 value in US$

	2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*
Exports	39 225 000	366 512 000	431 407 000	41 956 000	98 204 000	91 916 000	130 590 000	283 121 000	369 624 000	577 419 000
Imports	204 543 000	198 266 000	124 973 000	81 678 000	145 065 000	165 094 000	168 760 000	160 138 000	200 455 000	148 428 000

Source: Trademap 2015

Table 4: Zimbabwe's exports and imports to and from DR Congo 2005-2014 value in US$

	2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*
Exports	7 156 000	948 310 000	84 050 000	14 832 000	14 748 000	25 007 000	18 658 000	16 343 000	11 541 000	4 394 000
Imports	7 677 000	1 613 000	725 000	86 000	14 372 000	594 000	2 479 000	89 000	105 000	829 000

Source: Trademap 2015

port performance with Mozambique. The two-way trade was at its peak in 2007 when it amounted to US$229,299,000. This agreement has potential but currently it is being underutilized however, not to the extent portrayed by the Zimbabwe-Namibia trade agreement as seen in Table 6. Despite current underutilization, the agreement presents potential to increase Zimbabwe's exports to Malawi.

Zimbabwe's exports to Mozambique have been fluctuating (see Table 3). In 2007, Zimbabwe exported goods worthy US$431,407,000 then the following year exports went down to US$41,956,000 and then picked up to US$98,204,000. Zimbabwe enjoyed trade surpluses amounting to US$168,246,000 in 2006, US$306,434,000 in 2007, US$122,983,000 in 2012, US$169,169,000 in 2013 and US$428,991,000 in 2014. Zimbabwe suffered trade deficits amounting to US$165,318,000 in 2005, US$39,722,000 in 2008, US$46,861,000 in 2009, US$73,178,000 in 2010 and US$38,170,000 in 2011. Zimbabwe and Mozambique experienced a high two-way trade amounting to US$725,847,000 in 2014. This was followed by US$570,079,000 in 2013 and US$564,778,000 in 2006.. There is potential as shown by statistics for Zimbabwe to increase exports to Mozambique.

Zimbabwe's exports to the DR Congo have been fluctuating (see Table 4). Zimbabwe has enjoyed trade surpluses amounting to US$946,697,000 in 2006, US$83,325,000 in 2007, US$14,746,000 in 2008, US$376,000 in 2009, US$24,413,000 in 2010, US$16,179,000 in 2011, US$16,254,000 in 2012, US$11,436,000 in 2013 and US$3,565,000 in 2014. However, Zimbabwe suffered a trade deficit only in 2005 amounting to US$521,000. In 2006, Zimbabwe's exports to DR Congo were quite high at US$948,310,000 thereby increasing its total exports receipts to US$6,427,357,000. However, the problem was that it was one time off.

In Table 5, Zimbabwe's exports to South Africa can be seen and they too have been fluctuating. However, the amounts of exports are huge. Zimbabwe had only a trade surplus of US$268,069,000 in 2005. The rest of other periods, Zimbabwe suffered trade deficits in the amount of US$62,805,000 in 2006, US$295, 135,000 in 2007, US$1,047,669000 in 2008, US$940, 012,000 in 2009, .US$1,076,126,000 in 2010, US$2,474,008,000 in 2011, US$1,432,791,000 in 2012, US$1,044,773,000 and US$684,023,000 in 2014.

Table 5: Zimbabwe's exports and imports to and from South Africa 2005-2014 value in US$

	2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*
Exports	578 173 000	1 109 305 000	1 239 093 000	711 267 000	1 192 175 000	1 734 521 000	2 359 528 000	2 674 010 000	2 613 858 000	2 051 499 000
Imports	310 104 000	1 172 110 000	1 534 228 000	1 758 936 000	2 132 187 000	2 810 647 000	4 833 536 000	3 106 801 000	3 658 631 000	2 735 522 000

Source: Trademap 2015

Table 6: Zimbabwe's exports and imports to and from Namibia 2005-2014 value in US$

	2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*
Exports	11 351 000	16 922 000	14 865 000	10 110 000	3 647 000	5 683 000	5 185 000	1 714 000	7 972 000	8 975 000
Imports	827 000	3 878 000	3 662 000	6 221 000	3 408 000	14 957 000	16 810 000	13 608 000	15 067 000	17 793 000

Source: Trademap 2015

South Africa is arguably the largest single trading partner of Zimbabwe (SADC 2007). Zimbabwe's exports to South Africa in 2007 were thirty-seven percent of Zimbabwe's total exports and imports from South Africa in 2009 amounted to sixty percent of all Zimbabwe's imports. Zimbabwe is also a major trading partner on the side of South Africa. South Africa is a big market for Zimbabwe's products. There is no doubt therefore that South Africa and Zimbabwe are key trading partners despite economic challenges faced by Zimbabwe (SADC 2007).

Zimbabwe's exports to Namibia are insignificant and fluctuating. Zimbabwe also enjoyed insignificant trade surpluses amounting to US$10,524,000 in 2005, US$13,044,000 in 2006, US$11,203,000 in 2007, US$3,889,000 in 2008 and US$239,000 in 2009. However, from 2010 Zimbabwe experienced trade deficit amounted to US$9,274,000 in 2010, US$11,625,000 in 2011, US$11,891,000 in 2012, US$7,095,000 in 2013 and US$8,818,000 in 2014. Of all the agreements analyzed above, this is the least performing trade agreement in terms of trade values as demonstrated in Tables 1 to 6. Zimbabwe and Namibia share a common border and one would expect substantial trade taking place between the two countries. Moreover, the two countries have a preferential trade agreement, which is expected to be boosting trade.

It should also be noted that apart from Zimbabwe having trade agreements with Botswana, Malawi, Mozambique, Namibia, DR Congo and South Africa, these countries including Zimbabwe, are either members of SADC or COMESA. That means they have access to each other's market under the multilateral arrangements of the two regional organizations. That means the trade figures covered in the respective preferential agreement cannot be isolated from benefits arising from being members of COMESA or SADC or both.

CONCLUSION

Compared to other trade agreements Zimbabwe has with other countries in the same context, the Zimbabwe-Namibia bilateral preferential trade agreement is a non-performer. The two-way trade is very insignificant. It has the lowest values of trade. It is not achieving the intended goal. It is as if the agreement is a most favored nation (MFN), which by nature does not offer incentives to exporters of both countries yet this agreement is a preferential agreement, which offers incentives to both exporters and importers in both countries. As the preferential trade agreement, both countries are currently not benefiting from the agreement due to its underutilization.

RECOMMENDATIONS

It is recommended that Zimbabwe and Namibia jointly institute a study to investigate the problems associated with this trade agreement. Zimbabwe and Namibia have an excellent political relationship, which has been consistent. Why then are they not clicking in the market place? They share the common border, which practically should be reducing transport costs. Further, they are both members of SADC where there is a program for Free Trade Area (FTA). The study should identify the problems that the two countries, including their firms, face and recommend measures to be taken in order to improve trade for the benefit of both nations. The Joint Commission without a study may not be able to reveal the problems affecting this agreement.

LIMITATIONS

This study did not look at factors, which lead to low trade between Zimbabwe and Namibia. This is open to a future study.

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