

EU statement at the Trade Policy Review of Zambia, 21/06/16

Statement by Ambassador Marc Vanheukelens

I would like to welcome the Delegation of Zambia, led by Hon. Raymond Mpundu, Deputy Minister, Ministry of Commerce, Trade and Industry. I would also like to thank the WTO Secretariat for their report and the Discussant, H.E. Mr. Mothusi Bruce Rabasha Palai (Botswana) for introducing us to the Trade Policy Review of Zambia.

Following a long period of political stability, Zambia enjoyed a high growth rate until 2011 with a 5.7% GDP growth average during the period from 2002-2012. Zambia also achieved a lower middle-income status. However, this should not disregard the fact that the proportion of people living in poverty remains very high with an estimated 23.4 percent in urban areas compared to 76.6 percent in rural areas, while the extreme poverty is 40.8% at national level.

Macroeconomic fundamentals deteriorated in the last few years, with growing fiscal deficits and debt in 2014 and 2015. The falling price of copper, which is an important and growing component of Zambia's trade (it grew from 41% to 73% of all Zambia's exports between 2008 and 2014) has certainly played a role in this situation together with certain adverse public policy choices. In addition, the shortage of power caused by abnormally low water levels has contributed to worsen the economic situation and make trade and commercialisation of goods even more difficult from July 2015. All this has been reflected in the depreciation of the Zambian Kwacha.

After its March 2016 mission, the IMF observed that the economy is under intense pressure and Government finances under immense stress. The IMF also indicated that a package of measures making



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clear that fiscal pressures are being tackled would boost market confidence and pave the way for increased investment and growth. According to the WTO Secretariat report the IMF considers Zambia's potential as strong.

The EU would like to highlight that Zambia ratified the Trade Facilitation Agreement and notified its Category A, B and C commitments. This is an important step and very much welcomed as it shows Zambia's commitment to promoting trade which is an engine for its growth. The EU also supports Zambia's call to donors to coordinate their assistance on trade facilitation.

We are convinced that there are policies that Zambia can adopt which would help its development further. Among those we think that priority should be given to ensuring predictability and stability in the business environment while pursuing further efforts to facilitate business and attract investors. Consultations with stakeholders should be promoted and actively pursued. An example here is the case of the imposition of royalty taxes on mines, which was done without adequate consultation and resulted in businesses reversing investment decisions. Investing more in education, in order to ensure that the necessary skills are available and can be tapped by investors, is also fundamental.

The EU has raised a number of advance written questions to Zambia. Among them, we would like to know how Zambia sees its involvement with its regional trade partners, in particular its participation in both COMESA and SADC. The EU is interested in further details on how Zambia intends to manage the potentially contradicting obligations that may result from its double membership in these regional organisations.

Regarding our bilateral trade relations, Zambia benefits of the "Everything But Arms" scheme and therefore all its exports except arms and ammunition enter the EU duty free and quota free. The EU supports Zambia's strategic goals and provides important development assistance (about 484 Million Euros for the 11th European Development Fund). The assistance provided under that Fund covers among others the following sectors: agriculture, energy, governance, including public finance, to mention just a few.

Zambia rightly considers that trade is a crucial engine for its growth, and the EU hopes that this review will bring important insights to Zambia for its future trade policy choices. Let me conclude by wishing Zambia a very successful Trade Policy Review.

Thank you.