

**AN ASSESSMENT OF THE TRADE FACILITATION  
EFFORTS WITHIN SADC. THE CASE OF WALVIS BAY DRY  
PORT.**

**BY**

**TINASHE MARARA**

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## **DEDICATION**

This work is dedicated to my late father Alfred Mudavanhu Nhemachena who could not live to see this day

and

My mother; Berita Kativhu Nhemachena who assumed the role of a father after the passing away of my father

and to

Petros Tendai Kativhu.

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## **ABSTRACT**

The study assesses the trade facilitation efforts in SADC and examines how the establishment of the Walvis Bay dry port will help in facilitating trade. Qualitative methodology was used in the study. Documentary search and in-depth interviews with key informants were used to collect data. Data was analysed by employing thematic sub-headings to present research findings. This study argued that ineffective implementation of protocols and agreements in SADC hampers or retards trade facilitation. International economic relations theories such as regionalism and liberalism guided the study. The study was guided by the assumptions proffered by these theories that larger markets can be created through integration of single economies and that this leads to improved trade volumes. Liberalisation of economies ensures free flow of goods and services. The study examines the trade facilitation measures within the SADC region and the challenges encountered in their efforts to facilitate the smooth flow of goods and services. The study revealed that the SADC region in terms of legal instruments and initiatives to promote trade facilitation is among the leading regions. However, the implementation of the same initiatives is the major obstacle to trade facilitation efforts. The SADC region provides the highest number of landlocked countries at the same time traditional ports face a number of challenges that include congestion, high port charges, and cargo safety. The Walvis Bay dry port facility sought to provide landlocked Zimbabwe with unrestricted access to the sea for her imports and exports. The study concludes that in as much as SADC is good at adopting regional protocols, implementation remains the major challenge. Effective trade facilitation efforts in the region requires an integrated approach which takes into account tariff barriers and non tariff barriers on the border as well as after the border barriers. The study however concluded that due to financial constraints to develop the dry port, similar challenges faced at traditional ports will hinder the effective operation of the dry port.

## TABLE OF CONTENTS

Contents	Page
i. Dedications	i
ii. Acknowledgement	ii
iii. Abstract	iii
iv. Table of Contents	iv
v. Acronyms	v
<b>1.0 CHAPTER ONE: INTRODUCTION</b>	<b>1</b>
1.1 Background to the Problem	1
1.2 Statement of the Problem	2
1.3 Objectives of the Study	4
1.4 Research Questions	4
1.5 Hypothesis	5
1.6 Justification of the Study	5
1.7 Methodology	6
1.7.1 Documentary Search	6
1.7.2 In-depth Interviews with Key Informants	7
1.7.3 Data Analysis and Presentation	8
1.8 Delimitations	9
1.9 Limitations	9
<b>2.0 CHAPTER TWO: LITERATURE REVIEW AND THEORETICAL FRAMEWORK</b>	<b>11</b>
2.1 Introduction	11
2.2 An overview of Trade Facilitation	11
2.3 Theoretical Framework	14
<b>3.0 CHAPTER THREE: SADC TRADE: LEGAL FRAMEWORK</b>	<b>23</b>
3.1 A Synopsis of the SADC Trade Protocol	23
3.2 Objectives of the Trade Protocol	24
3.2.1 Non-Tariff Barriers to Trade	25

3.2.2 International Economic Relations: WTO	26
3.3 Port Operations within SADC	27
3.4 Challenges regarding Infrastructure in SADC	28

#### **4.0 CHAPTER FOUR: THE ESTABLISHMENT OF THE WALVIS BAY DRY PORT**

4.1 Introduction	30
4.2 The Walvis Bay Corridor	30
4.3 The Rationale for establishing a dry port for Zimbabwe	33
4.4 Benefits of the Walvis Bay dry port	38
4.4.1 Benefits of the dry port to traders	39
4.4.2 Benefits of the dry port to the Zimbabwean and Namibian Government	40
4.5 Conclusion	41

#### **5.0 CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS**

5.1 Conclusion	44
5.3 Recommendations	46

## **ACCRONYMS**

ACP	Africa Caribbean and the Pacific
APEC	Asia-Pacific Economic Cooperation
COMESA	Countries and Markets for Eastern and Southern Africa
ECA	Economic Commission for Africa
ECE	Economic Commission for Europe
EPAs	Economic Partnership Agreements
LLDC	Landlocked Less Developed Countries
NAFT	Namibian Association of Freight Forwarders
NAMROD	Namibian Road Carriers Association
NAMPORT	Namibian Port Authority
NTB	Non Tariff Barriers
OECD	Organisation for European Countries Development
RECs	Regional Economic Corridors
RoO	Rules of Origin
SACU	Southern Africa Customs Union
SAD	Single Administrative Document
SADC	Southern Africa Development Community
TDCA	Trade Development Cooperation Act
TNF	Trade Negotiation Forum
UNCTAD	United Nations Conference on Trade and Development
WB	World Bank
WBCG	Walvis Bay Corridor Group
WTO	World Trade Organisation
ZIA	Zimbabwe Investment Authority
ZNCC	Zimbabwe National Chamber of Commerce

## CHAPTER 1: INTRODUCTION

### 1.1 Background to the Problem

“Trade facilitation has received wide attention in both the public and private sectors since the 1990s, with the acceleration of trade liberalisation in the world (Peng 2010: 1). With the increase in globalization and rapid growth of trade among states, trade facilitation has appealed to many leaders and business people. “Due to problems left in Southern Africa as a result of colonial imbalances such as reliance on primary production, poverty, lack of experts, mono-cultural agro based economies, debt, incompatible economic systems, lack of infrastructure, financial and technical resources, slow economic growth, unjust international economic structures, and dependency on the West, trade facilitation has been regarded as an alternative to increase the levels of trade in the region (Chingono and Nakana 2009: 402)”. Lektzian (2003: 9) notes that “Athens applied a trade embargo against its neighbour Megara 2, 400 years ago” hence the concept of facilitating trade has been in existence since time immemorial. However, the coming in of regional groupings and in this particular case Southern Africa Development Community (SADC) has brought a number of changes in the scope of trade facilitation.

One of the main goals of SADC is to form common political interests and support greater trade and investment flows between Member States (SADC Treaty 1992). Due to imbalances characterising the international economic system and increased global trade while at the same time reduced intra-African trade, African states have resorted to help each other facilitate trade on a regional basis. With the end of the Cold War, from 1945 to 1990, trade facilitation measures have been used to counter protectionist policies in trade. The challenges states face in their efforts to facilitate trade range from tariff and non-tariff barriers. Mudzonga (2008: 20) observes that, “Non-Tariff Barriers (NTBs) include customs documentation and administrative procedures such as non-standardised systems for imports declaration and payment of applicable duty rates, incorrect tariff classification, limited and uncoordinated customs working hours, cumbersome procedures for verifying containerized imports, immigration procedures, quality inspection procedures- delays in inspection of commercial vehicles, transiting procedures- non-harmonised transport policies including road user charges, third party (cross border) insurance schemes, vehicle overload control systems, vehicle dimensions and standards, road blocks- stopping of commercial vehicles at various

inter-country road blocks even where there is no proof that goods being transported are of a suspicious nature, such as smuggled goods or drugs.”

The SADC Free Trade Area (FTA) is the key to achieving all these goals. By January 2008 twelve of the fifteen SADC Member States established an FTA. The SADC FTA creates a regional market worth US\$ 360 billion (Nierkerk and Moreira 2002: 79). The legal basis of the FTA is the Protocol on Trade (1996). The delay in the entry into force was, perhaps, the first sign of the region’s lack of preparedness to undertake trade liberalisation. The Protocol on Trade commits members to phase out existing tariffs, to harmonise trade procedures and documentation within SADC, to define SADC Rules of Origin and to reduce other barriers to trade (Mudzonga 2008: 25). Many SADC Member States are landlocked, with imports and exports having to cross several borders, making trade facilitation a key factor in their economic competitiveness. Mudzonga (2008: 26) further points out that, “to facilitate speedy customs clearance of goods at entry points the Sub-committee on Customs Cooperation developed and implemented a single customs administrative document (SADC-CD).” The single declaration replaced a number of customs declaration forms which were designed for different customs regimes. A model customs act was also developed to benchmark and harmonise customs procedures and practice. To reduce clearance waiting time at border posts the region developed “One-Stop” border posts such as at Chirundu between Zambia and Zimbabwe. Nierkerk and Moreira (2002: 17) in Mutambara (2008: 11) note that, “unsatisfactory network conditions have also been due to increased diversion of rail freight to road transport which puts pressure on roads, as well as overloading by transporters which reduces the economic life of road infrastructure.” For many years, the conditions of some of the railway networks in the region have been deteriorating since track maintenance was being deferred due to lack of funding (Mutambara 2008: 15).

## **1.2 Statement of the Problem**

Mutambara (2008:14) is of the view that despite the various regional initiatives such as the SADC Protocol on Transport, Communications and Meteorology, SADC Protocol on Trade as well as Spatial Development Initiatives, Road Sector Development Programmes, the SADC Regional Infrastructure Development Plan, the Southern Africa Regional Action Agenda, The NEPAD transport Programme, and the SADC Corridor Strategy the problem of trade facilitation still exist. “Africa accounts for less than 2.5 per cent of world trade and non-oil exports have been about 1 per cent since 1992- half of their 1980 value (Pearson 2011:

1).” The level of intra-African trade is also low- 10 per cent, compared to about 60 per cent in Western Europe. Africa also ranks low on trade policy and facilitation performance, with seven African countries listed in the bottom ten of the most restrictive regimes. Markets remain fragmented and borders are difficult to cross, which prevents the emergence of regionally integrated industries and supply chains.

In the (Countries and Markets for Eastern and Southern Africa- East African Countries) COMESA-EAC-SADC Tripartite region, the costs of transport, in particular road transport (which accounts for about 95 per cent of the volume of cargo transported in the region) is directly related to the time taken for the journey. “The typical charge for a stationary truck is between US\$ 200 to US \$400 a day (Pearson 2011: 1).” Pearson (2011: 1) further notes that, “if a truck takes 3 days to clear a border (which is not excessive in the COMESA-EAC-SADC region), the transporter will pass on an additional cost of between US\$ 600 to US\$ 1 200 for the cost of the truck sitting idle at the border to the importer.” This will, in turn be passed on to the importers client and ultimately to the consumer. SADC (2011: 2) states that, similarly, it costs US\$ 800 to US\$ 5000 to ship a 20ft container from Durban to Lusaka, compared to the costs of US\$ 1 500 to ship the same container from Japan to Durban. This means that a producer that relies on imported components for his manufacturing business that is based in Lusaka would need to absorb this extra transport cost compared to his competitor near the port. However, in addition to tariff barriers, the region’s producers and traders also face a number of non-tariff barriers and high cross-border trade and transport barriers which include but not all, customs documentation and administrative procedures, immigration procedures, quality inspection procedures, transiting procedures.

Faye et al (2003: 17) observe that, “while the purported level of agreement for such regional integration and harmonisation is high the problems of implementation and issues of national sovereignty have hindered progress.” Political tensions in the Southern Africa region have also hindered the progress of trade facilitation initiatives. However, Mutambara (2008: 16) argues that, “ poor domestic road and rail networks in any one country if not addressed, have serious negative implications for the region as a whole because national road and rail network systems provide feeder roads to the corridors that link the neighbouring countries and seaports.” Zanamwe (2010: 49) “identifies the main problem in Africa as the lack of adequate infrastructure necessary to expedite the movement, clearance and release of goods.” The 2007 World Bank (WB) cost of doing business indicators and the 2006 Global Competitiveness Report (DNA 2006) found trade facilitation barriers to be substantially higher in SADC than

in all other regions. Khandelwal cited in SAFT (2008: 22) observes that, “African trade has been hindered by inadequate transport, information, and communication infrastructures, which distort trade regimes and result in high transaction costs.” Prior to recent improvements the SADC ports suffered from poor surrounding infrastructure, local conflicts, lack of investment, and poor management Faye 2003: 18). Chingono and Nakana (2008: 407) argue that, without similar opportunities to trade, profit from enlarged markets and greater economies of scale, economic prospects in SADC remain exposed to disadvantageous geographies and unfavourable global dynamics. According to Pearson 2008: 53 “for many countries, and especially land-locked countries, the solution to reducing cost of cross-border trade, and becoming more competitive, lies outside their jurisdiction and control. For example, to get goods to market, a landlocked country needs to rely on roads, railways and port systems of neighbouring countries.”

### **1.3 Objectives of the Study**

The research sought to explore the benefits of trade facilitation within SADC and assess how the establishment of the Walvis Bay dry port will address the challenges faced by landlocked countries within the region. In line with this overall objective the research pursued to accomplish the following specific objectives:

1. To determine how important trade facilitation is in SADC.
2. To investigate the operational challenges faced by clearing agents and traders at traditional ports within SADC.
3. To assess how the establishment of the Walvis Bay dry port will alleviate the problems faced by the above mentioned stakeholders at the ports.
4. To examine how geography impacts on trade.
5. To evaluate the benefits associated with the dry port facility

### **1.4 Research Questions**

1. Why does trade facilitation matter in SADC?
2. What problems do the government, traders, and clearing agencies face at seaports?
3. How will Walvis Bay dry port alleviate the challenges encountered by traditional ports within SADC?
4. How important is geographical location in trade facilitation?

## 5. What are the paybacks of the dry port facility?

### **1.5 Hypothesis**

The study sought to test the following hypothesis:

Ineffective implementation of protocols and agreements in SADC hampers or retards trade facilitation.

### **1.6 Justification of the Study**

The SADC Protocol on Trade signed in 1996 entered into force in 2000 is the instrument through which constraints faced in trade facilitation are to be addressed. International trade scholars differ on what really trade facilitation entails. This investigation was important in the sense that it adds information to the on-going academic debate that may also be useful to policy makers in their endeavour to facilitate trade within the region. Quite a number of studies have been done by inter-governmental and international trade scholars on trade facilitation challenges and measures to improve the smooth flow of goods and services. However, not all the solutions proffered are ideal for the SADC region given the historical and current global economic dynamics. This study was crucial in the sense that it examines the concept of trade facilitation and proffer recommendations that can work for the region. SADC has the highest number of agreements. This research therefore sought to establish whether it is a question of integration or implementation?

The imperative of the investigation was to find out whether the solution lies in increasing the number of ports with the establishing of dry ports or capacitating the already existing. The other argument that was analysed was that effective trade facilitation efforts require addressing not a single barrier to trade in the region. Despite transport having a close link with trade other barriers such as protection of markets, bureaucratic border controls, poor infrastructure, criminal activity, lack of training, lack of international electronic trading standards among others needs to be addressed as well. For trade to be facilitated it entails the effective functioning of the industry. Facilitation in SADC will not be realised until there is production in the local industries. The outcomes can provide useful information to leaders during international conferences such as the United Nations conference for Landlocked Developing Countries and United Nations Conference on Trade and Development (UNCTAD). Scholars have proffered a number of recommendations to achieve trade

facilitation. In addition, to the above however, it is important to note that, not all solutions given the political and economic state of Southern Africa can work for the region but effective practical solutions needs to appreciate the historical background of the region. Therefore, the approach of the investigation is to establish initiatives designed to cater the background of SADC region. According to Mudzonga (2011: 20) is of the view that “factors such as underdevelopment due to colonial extraction of resources, poor transport network systems in linking SADC countries, border delays due to customs long and outdated procedures and inadequate personnel some of which lack expertise, and lack of adequate funding to implement global standards needs to be taken into account in order to address the problem of trade facilitation effectively in the region.”

## **1.7 Methodology**

In order to address the above mentioned objectives, the research used both qualitative and quantitative methods. As a result, in relation to qualitative method the researcher collected data through the use of documentary search, key informant interviews, as well as in-depth interviews. International economic relations books and journals, internet articles and inter-governmental organisations publications were used as sources of information. The researcher also, interviewed officials from the Zimbabwean Ministry of Transport, Communication and Infrastructural Development, Zimbabwean Ministry of Industry, Commerce and International Trade, Ministry of Regional Integration and International Cooperation, Road Motor Service (RMS), and the Zimbabwe National Association of Freight Forwarding and Clearing Agency to establish how the various stakeholders can benefit from the trade facilitation efforts in the Walvis Bay dry port. Findings obtained in the research were analysed in descriptive and explanatory manner.

### **1.7.1 Documentary Search**

Documentary research involves the collection of already existing published documents. Documents which the research made use of includes international economic relations books, journal, articles, magazines, newspapers, internet sources, conference papers, reports, inter-governmental organisations publications such as SADC, Countries and Markets of Eastern and Southern Africa (COMESA) and the World Trade Organisation (WTO), dairies among others. Documents can give access to the past and cover a wider period of time. In order to evaluate the success of the dry port facility initiative, there is need to examine the background of the problem. Government and inter-governmental documents and agreements help in

showing the environment that necessitates the adoption of the strategies. For example, the preamble to the SADC Trade Protocol clearly states the need by member states to cooperate in trade relations and foster economic growth. Thus covering a wider period helped the research in assessing the levels of success of SADC in its efforts to facilitate trade. Documents are also used to support evidence from other sources such as interviews. As such the researcher made use of protocols and agreements published by the SADC Secretariat such as the SADC Protocol on Trade (1996), Protocol on Transport, Communication and Meteorology (1998) were analysed in order to explore an overview of the challenges faced in facilitating trade and examine the strategies SADC has advanced to address the problems.

SADC official reports were made use of as they helped in examining the effectiveness of the agreements and mechanisms in place to address the problem of trade facilitation. A comparative analysis of SADC and COMESA official documents assisted the researcher in analysing the hypothesis of the study which sought to prove that the problem of trade facilitation within SADC is premised upon ineffective implementation of trade facilitation agreements. An assessment of SADC and COMESA Protocols and initiatives assisted in examining the harmonisation of the two organisations mechanisms of trade facilitation. Publications by the Walvis Bay Corridor Group (WBCG) and the bilateral agreement between Namibia and Zimbabwe were used in this research to examine how the initiative will complement other ports within the region and alleviate the problems being faced by different stakeholders at the port. Documents had their shortfalls and in order to cover the gap, interviews were used by the researcher.

### **1.7.2 In-depth Interviews with Key Informants**

Another technique the researcher used in collecting data was conducting in-depth interviews with key informants. Key informants were individuals with expertise in the area under study. They are those whose social positions in a research setting give them specialist knowledge about other people, processes or happenings that is more extensive, detailed or privileged than ordinary people, and who are therefore particularly valuable sources of information to a researcher. Stacey (1969: 47) is of the view that, “a key informant is simply someone who by virtue of his particular position in the society knows a great deal about the subject of the research.” In this study key informants were experts in the Ministry of Industry, Commerce and International Trade, Ministry of Transport, Communication and Infrastructural Development, Ministry of Regional Integration and International Cooperation from the

Zimbabwean government, experts and intellectuals from specialised trade organisation such as Zimbabwe National Chamber of Commerce (ZNCC), Zimtrade, Trades Centre, and the Freight and Clearing Agency Association. Conducting key informant interviews assisted the researcher in investigating the challenges States, traders, and clearing agents in the trade process face while conducting trade transactions and the benefits of easing facilitating trade. The purposeful sampling technique was used to select the Key informants.

The use of interviews helped in finding out the challenges faced by various players at seaports and during the trade process. They are traditional ports within SADC region and they face similar challenges. The rationale behind the establishment of the dry port facility is to mitigate the same challenges faced at the traditional ports. Interviewing key-informants who were involved either in the establishment of the facility or are involved in the day to day running gave a picture on how this facility will complement the other ports. It is important to note that the facility is currently in the implementation stage and by such the strategy of conducting interviews ensured information on latest developments. The concept of trade facilitation itself scholars are still debating on what really it entails and that alone necessitated the need for specific expertise responses on how the present dry port initiative will mitigate the challenges of landlocked countries in the region.

### **1.7.3 Data Analysis and Presentation**

The researcher employed thematic sub-headings to present the research findings. Thematic analysis involves the application of codes to the data. Chilisa and Preece (2005: 172) note that, “coding refers to the process of ‘breaking of data’ into themes or patterns, to create a meaningful story from the volumes of data.” The research is divided into five chapters. Chapter one outlines the historical background of the trade facilitation problem in a dominated landlocked Southern Africa. The second chapter explores the literature in international trade on the concept of trade facilitation and the obstacles that countries face in facilitating trade. Furthermore, it illustrates the underpinning theories and concepts such as regionalism, liberalism and the concept of regional integration. The supporting structure of trade facilitation is hinged upon the trade legal framework in the regionally and internationally as well. The central focus of chapter three is the examination of the legal instrument enhancing trade facilitation efforts which is the SADC Protocol on Trade (1996). It further investigates the traditional ports within the region and the challenges they encounter leading to the establishment of alternative dry port facilities. Chapter three provides a

foundation and background for Chapter four which focuses on the establishment of Walvis Bay dry port facility. Furthermore, the chapter evaluates the benefits of trade facilitation efforts through the dry port facility within the region. The final chapter gives a conclusion on the major findings of the research, and advancing recommendations on how SADC can mitigate the challenges of geographical handicap in trade. For the purpose of illustration, the researcher made use of a map showing the Walvis Bay Corridor. The rationale for the use of the map in this study is to clearly show the importance of an efficient transport networking system in international trade since there is a close relationship between transport and trade.

## **1.8 Delimitations**

The study focused on the trade facilitation challenges faced by SADC Member States in their efforts to facilitate trade within the region. Attention was paid on Walvis Bay dry port facility between Namibia and Zimbabwe investigating how it will complement other ports within the same region. The Walvis Bay dry port is still at implementation stage. Therefore, the period under study was that from the signing of the lease agreement between Zimbabwe and Namibia in December 2009 to establish the dry port to the present. In order to assess the benefits of the dry port, the research also explored the traditional ports within the region which are Durban, Beira and Maputo. The period before the signing of the bilateral agreement was examined for the purpose of evaluating the intended benefits of the facility.

## **1.9 Limitations**

In carrying out the study the researcher faced a number of challenges. One of the challenges is that the Walvis Bay dry port is still in its implementation stage and this implies the scarcity of information on the study of the dry port trade facilitation effort. During the study the researcher faced challenges in accessing Zimbabwean government documents such as the lease agreement itself establishing the Walvis Bay dry port. Government documents relating to the dry port were difficult to access due to government regulations. In overcoming this gap the researcher relied on carrying out in-depth interviews on the respective authorities such as the Ministry of Industry, Commerce and International Trade, Ministry of Transport, Communication and Infrastructural Development, Ministry of Regional Integration and International Cooperation from the Zimbabwean government, Road Motor Service. Initially the researcher intended to interview officials from Namport and WBCG as they oversee the management and operations of the facility in Namibia. However due to lack of offices in Zimbabwe of the two organisations the researcher had to rely on their official website

publications to access information. Internet articles, trade related journals and specialised organizations such as Trades Centre, Zimtrade, Zimbabwe National Chamber of Commerce were made use of during the study.

## **CHAPTER 2: LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

### **2.1 Introduction**

Quite a number of studies have been carried out on the subject of trade facilitation by trade scholars. The subject of trade facilitation has had a great deal of scholarly debate on what actually it entails? The scope of trade facilitation, as well as the measures to facilitate the smooth flow of goods and services. The focus of this study is to assess the efforts within SADC to facilitate trade. This chapter reviews the literature on the subject of trade facilitation and assess the underpinning theories guiding trade facilitation. In this chapter an examination of the scope of trade facilitation was undertaken and outlines the theories of regionalism and liberalism. The central tenets of these theories will be evaluated to establish how they facilitate effective trade facilitation within the SADC region.

### **2.2 An Overview of Trade Facilitation**

The subject of trade facilitation has had a great deal of scholarly interest but they are still to agree on what exactly trade facilitation entails. Hoekman, Mattoo and English (2002: 139-140) argue that “although initiatives such as improvement of transport infrastructure , trade liberalisation, and trade promotion do, in a sense, facilitate trade they do not constitute what is known today as trade facilitation.” In a narrow sense, trade facilitation simply addresses the logistics of moving goods through ports or more efficiently moving customs documentation associated with cross-border trade.

There is no one accepted standard definition of trade facilitation among scholars. Hoekman, Mattoo and English (2002: 140) maintain that, “trade facilitation involves reducing all the transactions costs associated with the enforcement, regulation, and administration of trade policies.” According to the WTO (1998), trade facilitation refers to “the simplification and harmonisation of trade procedures covering the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade.” Vivid in the above definitions is that, trade facilitation is the simplification of the trade relationship between partners.

Another definition of trade facilitation is proffered by the Asia-Pacific Economic Cooperation (APEC 2007: 1) as referring to the simplification and rationalisation of customs and other administrative procedures that hinder, delay or increase the cost of moving the goods across international borders. Trade facilitation covers all the steps that can be taken to

smooth and facilitate the flow of trade. The term has been used to cover all sorts of non-tariff barriers, including product testing and impediments to labour mobility (OECD 2005: 2). Trade facilitation aims at developing a consistent, transparent, and predictable environment for international trade transactions. Put in another way, “this implies cutting red tape at the border for importers and exporters so that goods are delivered in the most efficient and cost effective manner. It is based on internationally accepted norms and practices resulting from the simplification of formalities and procedures, standardisation and improvement of physical infrastructure and facilities, harmonisation of applicable laws and regulations (Economic Commission for Europe, 2002: 2).” The view pursued in this research is that trade facilitation scope should be broad enough to include the environment in which trade transactions take place, including the transparency and professionalism of customs and regulatory environments, as well as harmonisation of standards and conformance. This research study can argue that trade facilitation involves the simplification of all trade related procedures before the border, at the border and after the border in order to reduce the costs associated with it. Trade facilitation, thus is the creation of a business conducive environment through liberalisation of regulations. Therefore, the central tenet of trade facilitation rests on the smooth flow of goods and services.

According to the “Checklist of issues raised during the WTO Trade Facilitation Symposium” (WTO 1998), circulated by the WTO secretariat for the negotiations on trade facilitation, the central issues of trade facilitation include, among others: Physical movement of consignment (transport and transit); Import and export procedures and requirements, including customs and border crossing problems; Payments, insurance and other financial requirements which affect cross-border movement of goods, and; Electronic facilities. The WTO Trade Symposium (1998: 2) went on to note that, “in a broad sense, trade facilitation include not only the simplification, standardisation and harmonisation of trade procedures and formalities, but also the improvement of institutional frameworks, the establishment of appropriate legal systems, and the adoption of streamlined and transparent trade policies and regulations.”

Hoekman (2002: 146) captures the remarks made by Vito Tanzi, director of the IMF’s Fiscal Affairs Department, who identified the following problems in trade facilitation and customs reform: Out of date procedures that have not kept pace with developments in transport and technology. Bin (Online <http://www.escap.org.publications> 2009: 3) postulates that “delays in customs increase warehouse and storage costs, among others. Such delays can also affect the

quality of goods and/ or lead to the cancellation of orders and claims of damage compensation.” Tanzi went on to outline other problems to include inadequate legislation, inadequate attention to the organisation and staffing needs of a modern administration, lack of understanding of the need for coordination and cooperation between tax and customs administrations, as well as high levels of corruption that plague many administrations causing loss of tax revenue and economic costs. This research assumes that a number of scholars who have dealt on the subject of trade facilitation neglect the aspect of ineffective implementation of protocols and regional initiatives aimed at facilitating trade. Prescriptions advanced by a number of scholars in international trade on SADC challenges in trade facilitation neglect the considerable differences in wealth and economies that exist among member states. Given such a backdrop not all strategies that were successful in developed states can suit the SADC region. Most of the economies of the SADC countries are not fully integrated nationally.

Laurance, Hanouz and Doherty (2012: 5) went further to identify other supply-side constraints which include technical requirements, rules of origin, and administrative procedures. Crime and theft as well as telecommunications are other impediments to trade. Rahman (2011: 10) argues that, “the problematic factors for importing includes tariffs and non-tariff barriers, burdensome import procedures, high cost or delays caused cost or delays caused by international transportation, corruption at the border, high cost or delays caused by domestic transportation, domestic technical requirements and standards, crime and theft, and inappropriate telecommunications infrastructure.” He went further to identify the most problematic factors for exporting to include:

*identifying potential markets and buyers, access to imported inputs at competitive prices, access to trade finance, inappropriate production technology and skills, technical requirements and standards abroad, difficulties in meeting quality and quantity requirements of buyers, high cost or delays caused by international transportation, burdensome procedures and corruption at foreign borders, and rules of origin requirements.*

This study also identifies the mere reduced working hours at border posts in SADC as a challenge on its own. For example in Zimbabwe serve Beitbridge border post between South Africa and Zimbabwe all the rest (Forbes, Nyamapanda, Chikwarakwara, Kazungula, Livingstone, Plumtree among others) do not operate 24 hours. In addition to limited working hours are the misaligned or unharmonised operational hours at the border posts between SADC countries. Thus, delays by customs officials can be viewed from the perspective of

limited operation time added on numerous requirements documentation and lack of expertise. However, effective implementation of trade facilitation efforts as this study will argue require collective action among member states as well as focusing on overall barriers to trade.

## **2.3 Regionalism**

Various theories in international economic relations can be used as guiding principles to understand the imperative for trade facilitation. Trade facilitation in international trade draws its rationale from various standing theories that act as guidelines for the understanding of the subject. The subject of trade facilitation is however a complex one and for the purpose of this research, the researcher will make use of theories and concepts that include regionalism, regional integration, and liberalism. Despite the growth of global trade, SADC still faces a challenge of reduced trade volumes annually regardless of being one of the most integrated regions on the continent.

### **2.3.1 Definition and Scope of Regionalism**

There have been many attempts by different scholars to define regionalism. Extensive scholarly interest in regionalism has yet to generate a widely accepted definition of it. The terrain has always been fluid and has arguably become more complex since the scope of the terms is continuously contested and subject to different interpretations. According to Soderbaum (2002: 20), “regionalism is defined as that body of ideas, values, and concrete objectives aimed at establishing or enhancing the provision of wealth and security within a particular region, usually developed through a formal programme or strategy that results in some form of institution building.” In a similar vein, Hansohm et al (2005: 38) argue that, “the notion of regionalism refers specifically to ideas or ideologies, programmes, policies, and goals that seek to transform an identified social space into a regional project. Vivid in these definitions is the aspect of regional institutionalisation of activities. These definitions are contrary to the definition given by the World Bank (2000) which describes regionalism as an inward-looking instrument of industrial development. Regionalism has also been seen by Udokaing (1978) as a political device designed to complement the conventional relations of states as a diplomatic framework for international cooperation of a restricted nature. Lee (2002: 1) defines regionalism as “encompassing efforts by a group of nations to enhance their economic, political, social, or cultural interaction.” Nye (1968: 7) defines regionalism as the formation of and policies pursued by inter-state groups based around regions.

Goddard, Cronin and Dash (2003: 398) highlight regionalism in terms of Old and New regionalism. They further point out that they are both political and functional forces driving this trend.

#### Regionalism: Old and New

Old	New
Import substitution- withdraw from world economy	Export orientation- integrate into world economy
Planned and political allocation of resources	Market allocation of resources
Driven by governments	Driven by private sector firms
Mainly industrial products	All goods and services, as well as investment
Deal with border barriers	Aimed at deeper integration
Preferential treatment for less developed nations	Equal rules (different adjustment periods) for all nations.

Table 23.1 Goddard, Cronin, and Dash (2003: 398)

In sum, regionalism according to Goddard, Cronin, and Dash (2003: 400) “is a natural outgrowth of the shift toward globalisation in developing countries.” However Lee (2002: 1) argues that efforts on regionalism can take different forms including regional cooperation, market integration, development integration, and regional integration. In regionalism, non-discrimination is only exercised for members in that bloc. Regionalism assumes that there is comparative advantage in integrating economies into one larger group. Effective implementation of agreements improves the flow of goods and services. In the alternative increase in protectionism renders regionalism measures illusive.

### 2.3.2 Origins and Development of Regionalism

The growth of regionalism expressed as formal regional organisations has received a great deal of scholarly attention since the Second World War. Mansfield and Milner (1998: 596) observe that, the initial episode occurred during the second half of the nineteenth century and was largely a European phenomenon. On the other hand Fawcett (2008: 4) points out that the origins of regionalism can be divided into three main phases which are The First Wave 1945-1965, The Second Wave 1965-1985, and The Third Wave 1985-Present. However, it is widely accepted and recognised that regionalism is not just a recent phenomenon. Early post Second World War regionalisms were clustered around three main types: those focusing on

security regionalism (like NATO, SEATO, and CENTO), those concentrated on economics (EC, NAFTA, and PAFTA), and more multipurpose organisations (OAS, OAU, and LAS).

Besides the well known German Zollverein, the Austrian states established a customs union in 1850, as did Switzerland in 1848, Denmark in 1853, and Italy in the 1860s (Mansfield and Milner 1998: 596). The development of a broad network of bilateral commercial agreements also contributed to the growth of regionalism in Europe. Furthermore, the desire by states outside this commercial network to gain greater access to the markets of participants stimulated its rapid spread. Mansfield and Milner (1998:596) indicate that, WW1 disrupted the growth of regional trade arrangements but a second wave of regionalism began soon after the war ended. The latter wave of regionalism is often associated with the pursuit of beggar-thy-neighbor policies and substantial trade diversion, as well as heightened political conflict. Scholars frequently attribute the rise of regionalism during the interwar period to states inability to arrive at multilateral solutions to economic problems. As Kenwood and Lougheed (2009: 3395) note that, “the failure to achieve international agreement on matters of trade and finance in the early 1930s led many nations to consider the alternative possibility of trade liberalising agreements on a regional basis.” These arrangements were initiated against the backdrop of the Cold War, the rash of decolonisation following WW2, and a multilateral commercial framework, all of which coloured their economic and political conflicts. As Lawrence (2010: 45) notes that,

*The forces driving the current developments differ radically from those driving previous waves of regionalism in this century. Unlike the episode of the 1930s, the current initiatives represent efforts to facilitate their member’s participation in the world economy rather than their withdrawal from it. Unlike those in the 1950s and 1960s, the initiatives involving developing countries are part of a strategy to liberalise and open their economies to implement export and foreign investment led policies rather than to promote import substitution.*

## **2.4 Regional Integration**

According to Chingono and Nakana (2009: 397) “there is neither a clear definition of integration nor consensus on its substantive content and form, let alone agreement on paradigms that should inform it.” In ordinary language, the term ‘integration’ means to bring parts of an object into a complete whole (Mutharika 1972: 5). Bach (2000: 20) maintains that, “As a process, integration involves the establishment of common legal rules and legal systems for citizens.” In Leon Lindberg’s study, integration was defined as the process whereby nations forgo the desire and ability to conduct foreign and key domestic policies

independently of each other, seeking instead to make joint decisions or to delegate the decision making process to new central organs (Lindberg 1963: 6). Haarlow (1997: 16) defines regional integration as, “a process by which a group of nation states voluntarily and in various degrees have access to each other’s markets and establish mechanisms and techniques that minimise conflicts and maximise internal and external economic, political, social, and cultural benefits of their interaction.” Thus the concept of integration refers to a process in which units move from a condition of total or partial isolation towards a complete or partial unification. In sum, this work will define regional integration as a process pursued by states for political, social, economic, and security reasons and entails establishment of common policies and shared regional interests. SADC chose at a very early stage a trade-integration approach for regional integration, as evidenced by the SADC Treaty and the SADC Trade Protocol which was signed in 1996 (found online at [www.sadcstan.co.za/protocol](http://www.sadcstan.co.za/protocol))

Trade facilitation involves the simplification of trade procedures at the border and during transit of goods. This then means that neighbouring countries should have enabling economic policies and regulations for this to happen. Restrictive trade policies hamper or retard the smooth flow of goods and services from one country to another. The concept of regional integration is important in understanding trade facilitation in that; it involves the incorporation of states policies economically, politically, and socially. The relationship between trade facilitation and regional integration is that obstacles that hinder trade facilitation for them to be effective need to be addressed on a regional basis. Policies require to be harmonised on a regional basis. For example vehicle regulations in Zimbabwe are different from Mozambique in terms of axle load and length of heavy vehicles. The same regulations are different in Botswana and Zambia. This then means that a transporter faces challenges when transporting goods from Mozambique to Botswana since they pass through Zimbabwe which have different regulations. The imperative of regional integration in trade facilitation then is to harmonise regulations and create an environment that easy the smooth flow of goods and services. For example the COMESA Carriers Licence and insurance entails that a transporter operating in COMESA member states will only use one licence throughout. Therefore, effective trade facilitation initiatives for the smooth flow of goods can arguably be possible if carried out on a regional basis.

### **2.4.1 Economic Integration**

Carbaugh (2004: 4) postulates that, “economic integration is a process of eliminating restrictions on international trade, payments and other factor mobility.” According to Biswaro (2003: 10) “regional economic integration involves the process of trade, economic and financial convergence of integrating states.” Mutharika (1972: 15) indicates that economic integration implies the process of amalgamation of various economies in a given area or region into a single unit for the purpose of regional economic development. In other words, economic integration occurs when two or more nations undertake policies that result in greater mutual economic interdependence. Economic integration thus results in the uniting of two or more national economies in regional trading agreements. The Walvis Bay Dry port between Namibia and Zimbabwe is a good example of policies that nations can undertake in order to facilitate the flow of goods. The rationale behind the Walvis Bay Dry port is to assist landlocked countries within SADC mitigate the challenge of high transport costs in international trade. Cutting of costs will then mean that goods originating from SADC will be competitive on the international market.

The generic form of the term can also refer to establishing and developing ties between countries that may or may not be geographically linked. Examples of ties between countries which are not geographically linked include South Africa-EU Trade and Development Cooperation Act (TDCA) and the EU-ACP (Africa, Caribbean and the Pacific) Economic Partnerships Agreements (EPAs). In its restrictive form, economic integration refers to increased trade and factor flows between neighbouring countries as a result of trade liberalisation or coordination and harmonisation of economic policies (Biswaro 2003: 34). Similar is the definition advanced by Mattli (1999: 41) pointing out that, economic integration is the voluntary linking in the economic domain of two or more formerly independent states to the extent that authority over key areas of the domestic regulation and policy is shifted to the supranational level. In an integrated market, prices of identical products are the same across countries or geographical jurisdictions.

Some scholars believe that this theoretical concept began with the contributions to the customs union issue by Viner (1950) and Meade (1955). In essence, the theoretical foundations of conventional approaches to regional integration date back to three important schools of political thought, which are neo-classical, Marxist and development economics. The concept of economic integration was originally developed from traditional trade theory,

which assumes perfect competition, and whose major concern is the location of production of different kinds of goods (Imbriani and Reganati 1994: 77). Biswaro (2003: 39) points out that the earliest theoretical work on regional economic integration emanated from the theory of comparative advantage in international trade, and the interests of liberal economists in promoting the reduction of tariff and non-tariff barriers to trade. The main ingredients of regional economic integration include the removal of tariff and non-tariff barriers among member states, having a common external trade policy which initiates common external trade restrictions against non-members initiating free movement of goods and services, as well as unification of national monetary policies, and acceptance of a common currency. These happen in stages which include free trade area, customs union, common market, economic union, and complete regional integration (Balassa 1961: 60). The present research argues that effective implementation of trade facilitation agreements improves the flow of goods and services in SADC. Lack of effective implementation of protocols and agreements hampers trade facilitation. The EU arrangement is a good example that can show how well managed integration can help in facilitating trade in a region.

## **2.4 Rationale for Regional Integration**

The importance of regional integration is a very pertinent issue in Africa, particularly in light of existing political and economic weaknesses. Africa is infested with the deepest levels of poverty, lowest share of world trade, and weakest development of human capital and infrastructure, to say the least. It is because of this that regional integration is needed in Africa, as this will assist in enhancing economic development and growth.

Regional integration appealed as a concept to many economists, politicians and business people for one simple reason: it promised to increase the wealth and wellbeing not just of one, but of a number of countries at a rate greater than just the sums of the development of the participating countries economies (Berries 2006: 11). In the same vein, Chingono and Nakana (2009: 397) maintains that “regional integration discourse assumes that neighbouring countries that have similar economic, socio-political and security problems may benefit from integrating their economies because this creates a situation of mutual inter-dependence and development.” Thus, regional integration creates larger economic spaces which may increase efficiency, competitiveness and faster growth.

The major theoretical arguments for regional integration can be differentiated into four economic and three political lines of thinking. Berries (2006: 11) points out that, “The

economic arguments focus on the creation of bigger markets, improved welfare of citizens, attractiveness for development funding, and the requirements of globalisation.” This view is also shared by Chingono and Nakana (2009: 397) arguing that, “the major rationale for regional integration is the belief that there is strength in numbers and in unity and that this strength can speed up the development process. Larger economic spaces enable countries in an integration scheme to specialise and develop sufficient productive capacity to compete.” It can be stated that regional integration can be a strong facilitating factor for economic growth and the improvement of the socio-economic living conditions of people, has the potential to accelerate economic development and ensure economic efficiency through controlled competition. In acknowledging the importance of economic integration for growth and development, one should appreciate its universally recognised benefits, which potentially apply for Africa. These benefits include lower transaction costs for business, lower risk associated with investments, expansion of markets, pooling of regional resources, better utilisation of economies of scale in production, and more efficient allocation of resources. Thus, with the integration of SADC region this can improve the flow of goods in the corridors.

The political arguments focus on security issues, international negotiation power, convergence pressure towards democracy and the creation of ‘natural’ socio-cultural and political entities (Berries 2006: 17). “The political objectives of regional integration range from promoting common political values and systems, strengthening legitimate and democratic institutions and consolidating peace, security and stability Chingono and Nakana 2008: 398).” In Southern Africa political integration involves the establishment of shared values and norms that guide the goals of regional co-operation and development (IDASA 2004: 9). In the same light, Carbaugh (2004: 16) observes that, Regional initiatives can also foster a variety of non-economic objectives, such as promoting regional security and political contact among members. Another political rationale for regional integration is the assumption by states that collective impact in international politics is large enough to influence decisions in their favour or at least leave them at what Zormelo has termed, a ‘Pareto optimum’ position (Zormelo 1995: 35). In addition, regional integration can help to provide a framework for coordinating policies and regulations. This means that regional integration can be a catalyst for democracy and the rule of law, and facilitate the de-escalation of violent conflicts and discourage undemocratic means of accessing power.

Cawthra and Nieuwkerk (2004: 1) cited by Chingono and Nakana (2008: 401) aptly observe that, “while treaties and protocols have been signed, there is a limited history of common action and collective policy formulation.” This view shares the same argument with this research study that in Southern Africa ineffective implementation of protocols and agreements hampers or retards trade facilitation. ECA (2010: 292) finds that, Africa’s regional integration record is not impressive. The fact that the large number of RIAs has done little to promote intra-regional trade raises questions about the appropriateness of this linear model for addressing the real challenges that inhibit trade. There are a number of factors that present considerable challenges to the quest for regional integration and common action in Southern Africa. Among these are “nationalist rivalry, incompatible political and economic systems, mono-cultural agro-based economies, unjust international economic structures, debt and dependency on the West, lack of infrastructure, financial and technical resources, the uneven distribution of the benefits of integration, multiple memberships of regional organisations, poor economic and political governance, institutional incapacity, lack of grassroots support, rapid population growth, and slow economic growth (Chingono and Nakana 2009: 402).”

The production structure of SADC member states is only to a limited extent. The SADC region shows considerable differences in wealth and living conditions amongst member states. In addition Davies (1996: 25) notes that, “compounding these difficulties is the failure to adequately address certain, ‘conceptual, strategic and practical problems’ by SADC which has led to the lack of political will and commitment.” The ECA defines trade integration to be achieved when product flows between countries are on the same terms and conditions as within countries. The central notion or reasoning in integration is the belief that through regional integration member states can mitigate challenges faced in an effort to facilitate trade and thereby creating larger economic spaces and allows for economies of scale, which may increase growth in trade.

In conclusion, the subject of trade facilitation has had increased attention from various scholars in international trade. The notion of trade facilitation has over the years been interpreted to involve simplification of procedures at the border and transportation of goods. Trade facilitation as shown above should be broad enough to include the environment in which trade transactions take place. According to the WTO (1998) “Trade facilitation simply entails the simplification, standardisation, and harmonisation of trade related procedures and formalities. The concept has also been broadened to now include also the improvement of

institutional frameworks, the establishment of appropriate legal systems, and liberalisation of regulations.” Despite the efforts to facilitate trade in SADC, Member States still face a number of challenges. As highlighted above the problems in trade facilitation include long and outdated customs procedures which are not only time consuming but costly as well, inadequate legislation to support trade initiatives in the region for a business conducive environment, inadequate human personnel competent, high levels of corruption at the border and during transportation of goods, and inadequate finances to implement advanced technology and systems at the borders. A number of scholars on trade facilitation aptly capture the factors that hinder trade facilitation efforts in SADC but this study observes that the mere fact of ineffective implementation of protocols related to trade and agreements aimed at trade facilitation critical in realising improved flow of goods and services. In addition, a number of international standards prescribed for SADC countries neglect the fact that the region’s financial capacity is weak and relies on international assistance to implement most of the region’s projects. This then means that the implementation of advanced technology at the borders is difficult. Trade facilitation barriers require focus on overall trade barriers at the same time it is important to be addressed on a regional basis. Challenges such as lack of political will by member states to implement agreements, limited operation times at borders and some operation times not harmonised across borders can only be addressed with a regional approach. It is difficult to separate regional integration and trade facilitation. Regional integration allows for larger economic spaces.

## **CHAPTER 3: SADC TRADE LEGAL FRAMEWORK**

### **3.1 A Synopsis of the SADC Trade Protocol**

The Southern African Development Community (SADC) was created in 1992 by the Treaty of Windhoek, replacing the Southern African Development Co-ordination Conference (SADCC). SADC's goals are broad and far-reaching, and include reducing poverty and improving the living standards of the people of Southern Africa by advancing the economic and social development of the region. The SADC Protocol on Trade is part of the SADC's larger programme of regional co-operation which seeks to benefit all Member States by contributing to economic development in Southern Africa. The SADC Protocol on Trade has been in effect since January 25, 2000. It is an agreement between Member States to reduce customs duties and other barriers to trade on imported products from each other (Chilala 2009: 1). By lowering customs duties and removing other barriers to trade, the SADC Member States intend to promote economic growth and regional integration.

SADC member States sought to mitigate the challenges faced in trade facilitation in an effort to compete in international trade. Due to the need to facilitate the free movement of people, goods and services, the region established the SADC Trade Protocol. The negotiation process and the implementation of the Protocol were met by a wide variety of responses, ranging from hopes and fears to ignorance and apathy. The purpose of this chapter is to provide an assessment of the likely impacts of the Protocol and to review its implementation and development. This requires an examination not only of the Protocol itself, but also of its relationship to the broader policy environments in the member States and in the wider global community. The Trade Protocol provides the basis of the establishment of dry ports in the region. This research will therefore explore how Walvis Bay dry port facility will enhance trade facilitation. This chapter will also assess the operations of ports in the region and the various challenges they face.

The Trade Protocol provides a framework for an agreement among the member States to achieve a substantial liberalisation of trade among themselves by 2000 with almost complete elimination of tariffs on intra-SADC trade by 2012. By signing the SADC Protocol on Trade, member States commit themselves to reducing their customs duties or tariffs, with a goal of establishing a free trade area (FTA) in 2008. Chilala (2009: 3) notes that, "an FTA is a group of countries that have agreed to eliminate customs duties on most goods traded between them." A customs duty or import tariff is a customs tax that must be paid when a product

enters a country. The SADC member States that are signatories to the SADC Protocol on Trade agreed to reduce customs and specific duties over a period of 10 years, starting in September 2000. The main instrument of trade liberalisation is to be the elimination of customs tariffs and non-tariff barriers (NTBs) on the vast majority of intra-SADC trade (Flatters 2001: 5). In addition, there are measures related to a number of other forms of trade facilitation, including customs cooperation, promotion and facilitation of cross-border investment, liberalisation of trade in services, and facilitation of transit trade. To date, it is liberalisation of trade in goods, and especially the phasing down of import duties on intra-SADC trade, that has been the primary focus of attention in the Trade Negotiation Forum (TNF) process. The Trade Protocol forms the basis of regional initiatives in facilitating trade.

According to Flatters (2001: 3), “as in almost all similar arrangements in the world, the terms outlined in the Protocol do not represent an agreement to establish completely free trade among the member States.” The Protocol simply liberalise trade within the region and at the same time define the extent of the limits on free trade. The limitations on and exceptions to free trade under the Protocol plays a key role in shaping its economic impacts.

### **3.2 The Objectives of the Protocol**

The Trade Protocol underpins the legal framework in SADC in facilitating trade in the region. As such the protocol is the instrument through which trade related issues in the region are addressed. According to the Protocol (1996), they are five broad objectives it seeks to achieve which are;

1. Liberalisation of intra-regional trade in goods and services on the basis of fair, mutually equitable and beneficial trade arrangements, complemented by Protocols in other areas.
2. Efficient production within SADC reflecting the current and dynamic comparative advantages of its Members.
3. Contribution towards improvement of the climate for domestic, cross-border and foreign investment.
4. Enhancement of the economic development, diversification and industrialisation of the Region.

## 5. Establishment of a Free Trade Area in the SADC Region.

Member States agreed that there shall not apply any quantitative restrictions on exports to countries within the bloc. There is provision however which allows member States to take such measures as are necessary to prevent erosion of any prohibitions or restrictions which apply to exports outside the Community. This is subject to the fact that no less favourable treatment is granted to Member States than to non-members.

### 3.2.1 Non-Tariff Barriers to Trade

Articles 6 and 7 of the Trade Protocol (1996) “provide for the elimination of non-tariff barriers (NTBs) and for the phasing out of Quantitative Restrictions (QRs) on imports (and exports) originating in (destined for) other SADC member States.” The NTB clause (Article 6) calls for the elimination of all existing NTBs and for the refraining from the imposition of any new NTBs on intra-SADC trade. The rationale behind trade facilitation is to facilitate the smooth flow of trade. The trading environment should be enabling in order to reduce the costs that can be incurred during the trade process. For the smooth flow of goods and services there is need for removal of trade barriers either in the form of tariffs or quotas. Article 6 and 7 of the Trade Protocol provides for the removal of trade barriers. The SADC Protocol on Trade provides for regional co-operation in the area of standards, metrology, conformity assessment, accreditation and technical regulations. In order to prevent unnecessary technical barriers to trade, the Protocol encourages SADC Member States to use international standards whenever technical regulations are considered necessary.

The importance of Trade Facilitation is unearthed from the protocol itself. The intention of the parties in terms of the Protocol is that:

*Considering that trade in goods and services and the enhancement of cross-border investment are major areas of co-operation among the member States of the Community; Recognising that the development of trade and investment is essential to the economic integration of the Community; Recognising that an integrated regional market will create new opportunities for a dynamic business sector; Convinced of the need to strengthen Customs co-operation and combat illicit trade within the Community; Convinced that a framework of trade co-operation among Member States based on equity, fair competition and*

*mutual benefit will contribute to the creation of a viable Development Community in Southern Africa.*

The signatories to the protocol recognised the patent and the latent benefits which manifest from promoting free trade in SADC. This is indisputably clear from the preambles. Whilst, a preamble is not part of the contract as a general rule of interpretation of statutes and contract, it is important to highlight the intention of the parties is clearly seen from the preamble.

### **3.2.2 International economic relations: World Trade Organization (WTO)**

Zimbabwe is an active member of World Trade Organization (WTO) and is a signatory to key WTO agreements, including agriculture. WTO serves several functions which are providing a forum for negotiating trade concessions and removing of trade barriers, monitoring the multilateral trade system and developing a rule based trade system.

Zimbabwe signed various international trade and transport facilitation agreements, including the World Trade Organization (WTO) valuation and the Kyoto Convention. The WTO valuation (Article 4 of Annex II) requires member states to adopt the WTO valuation system for customs purposes. Zimbabwe acceded to the Kyoto Convention (International Convention on the Simplification and Harmonisation of Customs procedures) in 1998, which requires member states to simplify and harmonize their customs procedures and in compliance with this requirement, Zimbabwe was one of the first countries in Africa to introduce the HS coding system.

The ease of moving goods and services across borders is an important indicator of the quality of trade and transport facilitation in a country but unfortunately Zimbabwe is still weak in that aspect. The latest WB global Trading Across Border list (2012: 35) puts Zimbabwe at number 172 out of 183 countries, which is very low even among regional partners. Mozambique, the best-performing SADC member state was ranked number 132, followed by South Africa (144), Botswana (150), Zambia (153), and Malawi (164).

### **3.3 Port Operations within SADC**

SADC member States recognised the challenged of transport in trade facilitation and its key contribution to smooth flow of goods and services. The region then established a Protocol that will help in assisting the smooth flow of trade within SADC. The SADC Protocol on Transport and Meteorology was established as a legal framework to implement the transport

policies in the region. According to Mokoena (2007:20) The SADC Protocol on Transport and Meteorology sets out the objectives of the sector as:

- Integration of regional transport networks to be facilitated by the implementation of compatible policies, legislation, rules, standards, and procedures.
- Elimination or reduction of hindrances and impediments to the movement of persons, goods, and services.
- Improved diversity of services and provision on a competitive bid basis through the promotion of fair and healthy competition between service providers in terms of transparent, flexible, predictable, and streamlined regulatory frameworks (Mokoena 2007:20).

Trade facilitation covers all the steps that can be taken to ease and facilitate the flow of trade. The Doha Round Talks established that trade facilitation essentially relates to border procedures such as customs and port procedures, and transport formalities (Mokoena 2007:15). One of the sector objectives is that of integrating transport related policies, procedures, and standards. This is important in so far as facilitating trade is concerned because traders are delayed due to varying regulations from one country to another in the same region. For example different regulations on load limits, length of vehicles, axle size, carriers licence among others. The non standardisation of such regulations poses a challenge to the traders as they are further delayed. Costs in trade increase due to unnecessary delays. The elimination of such hindrances and impediments to the flow of goods and services is critical in trade facilitation.

The SADC ports are linked to the interior by the Regional Trunk Road Network (RTRN) and the Inter Regional Railway Network (IRRN) (Mokoena 2007: 10). The objective of the sector in the region is to have the capacity adequacy and efficiency levels that ensure cost effective trans-shipment of goods in and off the ships, off and on the road and rail for imports exports respectively.

To this effect, a regional programme on port rehabilitation, expansion and modernisation is underway in member States. Once the capacity challenge has been addressed, the issue of efficiency will be primary and after this has been achieved to prescribed standards, the improved performance of ports in total freight logistics should strengthen the region's

competitiveness in global trade and markets. “The current estimated investment gap for ports and inland waterways in Southern Africa is estimated at about US \$15 billion (AECOM 2009: 5).”

### **3.4 Challenges Regarding Infrastructure in SADC**

The effectiveness of the ports in SADC lies in addressing the challenges they face. This research argue that the establishment of the Walvis Bay dry port will not be successful in facilitating trade if the challenges being faced by other ports are not given attention. According to Mokoena (2007: 20), congestion is a major problem- roadblock to progress more often leading to congestion surcharges by shipping lines. SADC ports are heavily congested and this alone leading to delays in clearing of goods. The delays ultimately lead to increase in costs. The high costs can be either due to technical, inadequate capacity, poor facilities, poor management systems or structures, poor maintenance, structural, poor planning, inability to match supply to demand, lack of enterprise culture, institutional, lack of regulation, use of outdated pricing, and monopoly.

According to Moekena (2007: 22) the region no doubt faces challenges relating to infrastructure availability and development. Countries like DRC, Angola, and Mozambique emerged from civil strife during which infrastructure was destroyed, and require customised infrastructure rehabilitation and modernisation programmes. Deferred maintenance in infrastructure obtains in most member states, due to varying resource capacity. High cost of infrastructure development against a backdrop of inadequate resources, poor cost recovery from users and low infrastructure utilisation thresholds Wilson, Mann and Otsuki (2005: 25). Moekena (Ibid: 22) further argues that member States’ priority affected by competing demands, socio economic services and imperatives like health (HIV/AIDS), food security, and putting infrastructure in back seat. The need to create an adequate enabling environment and institutional framework for private sector investment. Inefficient use of existing infrastructure due to poor logistics and other bottlenecks for example border post delays. Low level of private participation in financing and management of infrastructure.

According to Mutambara (2008: 20) regional transport infrastructure is central to the sustainability of regional economic development, deeper market integration and intra-regional trade through facilities such as hubs, domestic internal transport links and regional

development corridors. Madakufamba (2008: 20) notes that the operations of some of the corridors are hampered by poor roads, bridges, curves and logistics. Ragoobur (2008: 40) observes that, “inadequate and inefficient transport networks continue to present the biggest obstacle to doing business and trade within SADC as this entails high transport costs, which does not auger well for a conducive regional business and trade environment.” As Radebe (2008: 68) rightly notes, the responsibility for ensuring the rapid expansion of infrastructure within SADC lies directly and largely with each Member State, and therefore government budgets have to continue to be the main drivers of infrastructure development. Effective operation of the SADC corridors that have often led to significant transport delays and increased transport costs hinge around differing regulations in each of the countries the corridors pass through.

In conclusion, this chapter has attempted to give an overview of the nature of the trade legal framework within SADC. The ultimate effects of SADC Trade Protocol will be to boost trade volumes, improve transport reliability and efficiency, reduce transport and communication costs, and increase the smooth flow of goods and services in the region. Infrastructural development would also enhance internal connectivity within the domestic economies as well as achieve increased regional interconnectivity. This would therefore help develop a strong regional integrated market (by making it easier for countries to access each other) and cross border trade facilitation. Through an efficient legal trade framework disadvantaged countries can also be in a position to access international markets.

## **CHAPTER 4: THE ESTABLISHMENT OF WALVIS BAY DRY PORT**

### **4.1. Introduction**

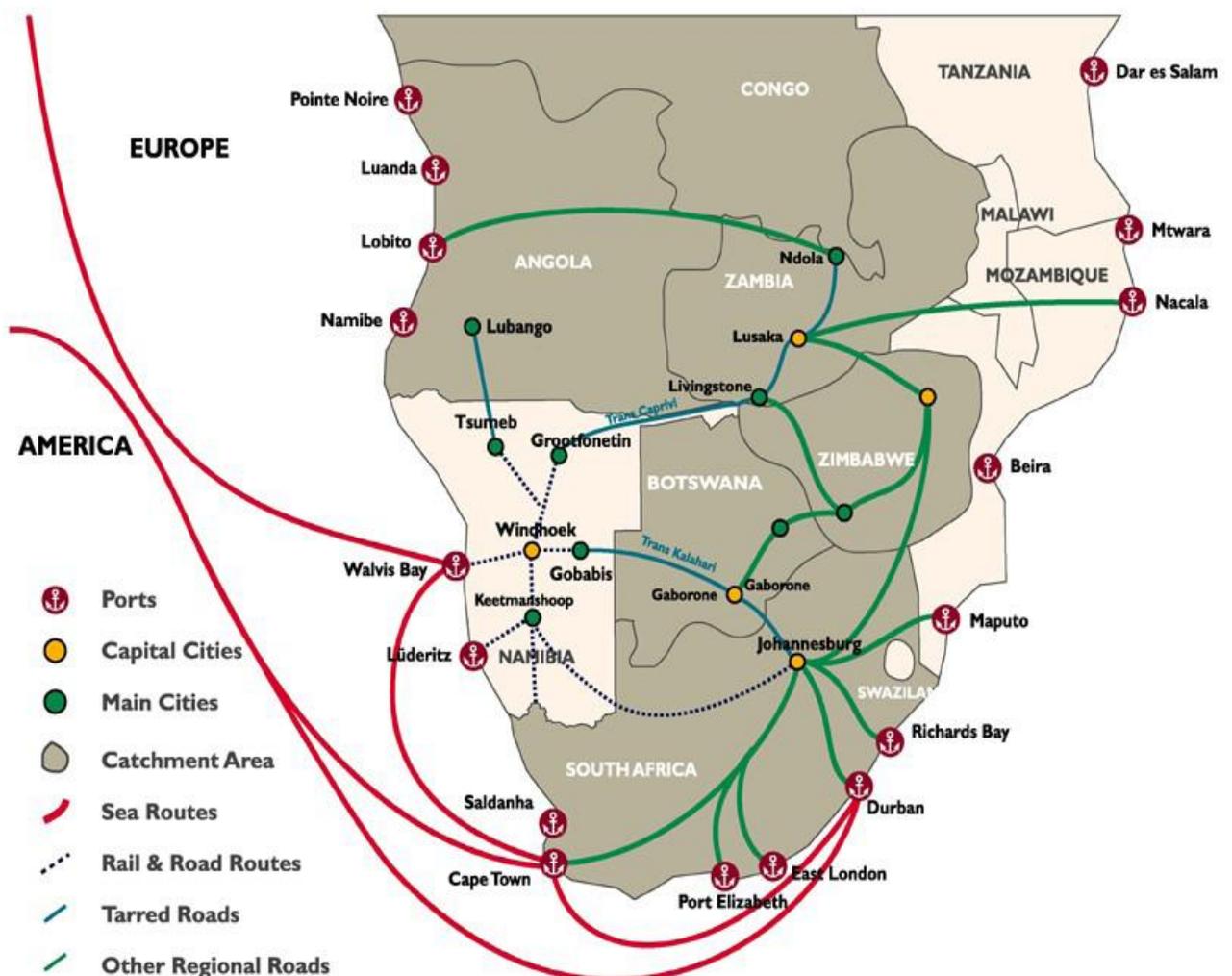
This chapter investigates the establishment of the Walvis Bay Corridor and the subsequent establishment of the dry port for Zimbabwe. The challenges that the country faced which necessitated the establishment of the facility and the intended goals that it seeks to address are explored. The last part of this chapter examines the benefits that the dry port offers on a national and regional level to various players involved in the trade process. This shall be done by having a look at a broad spectrum of issues that culminate into trade facilitation. Trade facilitation in SADC is of significance as it is in other parts of the world at large. This chapter shall take a wider view of the importance of trade facilitation. There is a ripple effect that is triggered with trade facilitation. All the parties that are involved tend to benefit in one way or the other, governments benefit, individual benefit, transport sector benefit, clearing agents and industries benefit. This chapter examines how enhanced trade facilitation process would greatly improve the free flow of goods and services. The increase in global trade has seen developing countries making efforts to expedite trade. The Walvis Bay dry port is an example of such regional efforts to easy trade.

### **4.2. The Walvis Bay Corridor**

To address the special needs of the African landlocked nations, certain trade and transport transit corridors have been established routes linking several economic centres, countries and ports. These corridors, networks of transport facilities and infrastructure, have been established either through existing routes that are accepted by custom authorities, RECs protocols or protocols involving concerned landlocked and transit countries. “A corridor’s function is to promote internal and external trade using efficient transport and logistic services (ECA 2004: 491).” By designating a network of routes with a seaport as a starting or terminal point, corridors also attention on improving not only routes but also the quality of transport and other logistic services. The ECA has been promoting corridors as a mechanism for addressing border delays, a proliferation of road checkpoints and other practices that increase costs and impede trade.

The Walvis Bay Corridor links the landlocked nations of Botswana, Zambia and Zimbabwe to the Walvis Bay Port in Namibia and to the markets in the hinterland of the Democratic Republic of Congo (DRC) and South Africa (the Gauteng region). The Corridor is therefore made up of three trade-and-transit corridors linking the port of Walvis Bay to neighbouring countries: The Trans-Kalahari corridor (TKC), TRANS-Caprivi corridor (TCC), and Trans-Cunene corridor (TCuC). The TKC is a network of highways connecting Walvis Bay to Johannesburg and Pretoria through Botswana. The TCC is a network that starts off the Trans-Kalahari highway at Karibib, traversing northeast through Grootfontein to the Angolan border at Rundu, and then eastwards through the Caprivi to Katima Mulilo. The TCuC extends from Otavi to Lobango in Angola via Oshikango in Namibia.

Map of Walvis Bay Corridor routes provided by WBCG (2012: 4)



According to ECA (2004: 92) “facilitating and promoting trade requires not only removing tariffs and non-tariff barriers, but also simplifying trade and lowering the cost of doing

business.” The setting up of trade Corridors within the SADC region has also been a mechanism in place to ease the trade challenges. The dry port for Zimbabwe under investigation lies in the TransCaprivi Corridor. The Walvis Bay Corridor Group was created in 2000 as a service and facilitation center to promote imports and exports via the Port of Walvis Bay for the SADC region (WBCG 2010: 1). The deep-sea port of Walvis Bay allows for direct access to principal shipping routes. “The Group’s main competitive strength is its Public Private Partnership (PPP) setup of transport and logistics stakeholders from both the public and private sectors (Smith 2007: 1).” According to the Global Economic Prospects (2005: 82) “the Walvis Bay Corridor Group is a public-private partnership established to promote the utilisation of the Walvis Bay Corridors, which is a network of transport corridors principally comprising the Port of Walvis Bay, the Trans-Kalahari Corridor, the Trans-Caprivi Corridor, the Trans-Cunene Corridor, and the Trans-Oranje Corridor.” The members of the group include Ministry of Trade and Industry, Ministry of Finance, Department of Customs, Walvis Bay Port Users Association (WBPUA), Namibian Road Carriers Association (NAMROAD), Namibian Association of Freight Forwarders (NAFF) as well as Department of Transport, Roads Authority (WBCG 2010: 1).

Smith (2007: 2) observes that infrastructure for cross border facilitation is very important to ensure a smooth flow across borders and minimal delays at these border posts. WBCG (2010: 2) outlines that the Strategic Plan for the next five years focus on all the three corridors. Some of the projects include the development of a full Infrastructure Master Plan along the three corridors, an Intermodal Transport Management System, cross border or Transit Facilitation infrastructure and facilities, projects which facilitate business development, Dry port or rail head development and railway track upgrades and rail links. “The WBCG is continually promoting port infrastructure as an integral component to corridor infrastructure (Smith 2007: 2).” The Walvis Bay Corridor Group alluded that they pool resources and authorities of both transport regulators and transport operators work together thus effectively serving as a facilitation centre and one-stop shop coordinating trade along the Walvis Bay Corridors and linking Namibia and its ports to the rest of the southern African region (WBCG 2010: 4).

The Global Economic Prospect (2005: 82) notes a successful case of trade facilitation that of the Trans-Kalahari Corridor (TKC). The (TKC) is the road route between Gauteng Province (South Africa) and Walvis Bay (Namibia) via Botswana which was opened in 1998. The Corridor management sort partnership with the customs administration of Namibia, Botswana, and South Africa which resulted in agreements to expand the operating hours at

the Namibia/Botswana border from 22-24 hours to enable loading and unloading in Windhoek and crossing the border the same day (Global Economic Prospects 2005). In August 2003, the TKC replaced all existing transport documents with a single administrative document (SAD). Border processing times were cut by more than half, from an average time of 45 minutes to 10-20 minutes, Global Economic Prospects 2005.” As part of efforts to facilitate regional initiatives for the promotion of trade, Namibia advanced bilateral efforts for the construction of a dry port.

The Permanent Secretary of the Namibian Ministry of Works and Transport Mr. P. Mwatile (2010) stated that “the Namibian Government has taken the policy to promote corridors and link Namibia to its neighbours as one of its high priority projects with more resources being availed to achieve this endeavour. He also indicated that good transport infrastructure was imperative to enhance trade within the region.” As a result the Namibian government offered Zimbabwe a dry port facility as a way of promoting trade within the region. Namibian Ports Authority (NamPort) was appointed the Namibian government agent to monitor the project development and compliance with port standards (Zimbabwean Ministry of Transport 2013: 3).

NAMPORT is a state owned enterprise managing principally the ports of Walvis Bay and Lüderitz, as well as managing a Syncrolift dry dock facility at Walvis Bay. Mr. A. Kathindi, Executive for Port Operations, indicated that NAMPORT has plans to expand its port infrastructure in anticipation of the projected increase in trade volumes (WBCG 2010: 3). It was also indicated that most of the cargo that passes through their port is transit cargo headed for the inter lands hence the need for good infrastructure to support the increase in trade. WBCG (2010: 1) points out that it was reported that trade volumes for Zimbabwe through the Walvis Bay Port have increased significantly with the cargo comprising of mainly vehicles.

#### **4.3. The Rationale for Establishing a Dry Port for Zimbabwe?**

According to Machado (2012: 13) “a dry port is a freight terminal situated in the hinterland servicing an industrial or commercial region connected with one or several ports with rail or road transport. Normally the dry port multimodal oriented terminal has all logistics services and facilities, which are needed for shipping and forwarding agents in a port.” The need for a dry port emanated from a number of challenges that were being faced by landlocked

Zimbabwe. Current challenges that were encountered in using the traditional ports within the SADC region included congestion, high port costs and cargo safety and security.

SADC region has traditional ports that include Durban, Beira, Maputo, Walvis Bay, Port Elizabeth, and Luderitz. Among the traditional ports within the region they all fail to meet the capacity levels annually in their operations (Mutamabara 2008: 5). Sea transport is of strategic importance in international trade since bulk goods require sea transport for transportation. There is a close link between transport and trade. One of the challenges that have been encountered in using traditional ports within SADC region is that of congestion at the ports (Zimbabwean Ministry of Transport, Communication and Infrastructure Development 2013: 1). Traditional ports are heavily congested resulting in long turnaround times. (Mokoena 2007: 10) notes that “The objective of the sector in the region is to have the capacity adequacy and efficiency levels that ensure cost effective trans-shipment of goods onto and off the ships, off and on the road and rail for imports exports.” He further notes that, congestion is a major problem- roadblock to progress more often leading to congestion surcharges by shipping lines. SADC ports are heavily congested and this alone is leading to delays in clearing goods. The delays ultimately lead to increase in costs. To this effect, a regional programme on port rehabilitation, expansion and modernisation is underway in SADC. Once the capacity challenge has been addressed, the issue of efficiency will be primary and after this has been achieved to prescribed standards, the improved performance of ports in total freight logistics should strengthen the region’s competitiveness in global trade and markets (Mokoena 2007:10).

The other challenge encountered at traditional ports is that of high port costs (Zimbabwean Ministry of Transport 2013: 1). There are few ports within SADC and at the same time the region is characterised by the highest number of landlocked countries (ECA 2004: 192). The existence of few ports operating below capacity against a high number of landlocked countries results in high costs of accessing the sea port services. Furthermore, the problem is made even worse with monopoly of ports and the authorities charging exorbitant fees. This study argues that the establishment of the Walvis Bay dry port will not be successful in facilitating trade if the challenges being faced by other ports are not given attention. (Mokoena 2007: 15) argues that the high costs can be either be due to technical, inadequate capacity, poor facilities, poor management systems or structures, poor maintenance,

structural, poor planning, inability to match supply to demand, lack of enterprise culture, institutional, lack of regulation, use of outdated pricing, monopoly

The region no doubt faces challenges relating to infrastructure availability and development. Countries like DRC, Angola, and Mozambique emerged from civil strife during which infrastructure was destroyed, and require customised infrastructure rehabilitation and modernisation programmes. Deferred maintenance in infrastructure condition in most member states, due to varying resource capacity (Mutambara 2008:30). High cost of infrastructure development against a backdrop of inadequate resources, poor cost recovery from users and low infrastructure utilisation thresholds Wilson, Mann and Otsuki (2005: 25)

Another encounter that led to the need for the establishment of the Walvis Bay dry port was that of cargo safety and security at the sea ports (Zimbabwe's Ministry of Transport 2013: 1). Ms Mtetwa Researcher in the Zimbabwean Ministry of Industry, Commerce and International Trade pointed out that "due to excessive delays at the traditional ports, there is high risk of theft. For example the Beira Corridor cases were reported of digging holes in the road in order to highjack traders. In terms of distance from Harare to Beira there is 559 kilometres (km), Harare to Walvis Bay 2 149kms, and Harare to Durban 1 711kms. However, despite the Walvis Bay being the longest distance from Harare, the investigation conducted on traders showed that other transit facilities were critical in a Corridor route. Other facilities such as good roads, large terminals were important. For example bad roads in the area of Mushipe in Mozambique delays transporters. Bad roads will also result in high costs in servicing the vehicles by the transporters. Due to the above factors the Zimbabwean government sought to establish a dry port in Namibia to help facilitate trade through reduction of transport costs and delays. The dry port was to be an alternative to the ports of Beira, Maputo, and Walvis Bay.

According to the Zimbabwean Ministry of Transport and Communication Report on the status of the Walvis Bay Dry Port (2012: 1), "Walvis Bay Port is of strategic importance to Zimbabwe as it is connected to major trade arteries the Trans-Kalahari and Trans-Caprivi corridors - and cargo is hauled by either road or rail." Statistics from the WBCG (2012: 1) indicate that "Zimbabwe's trade volumes through the port of Walvis Bay have grown significantly to 2 500 tonnes per month." The origin of the major imports itself necessitated the establishment of the dry port. Europe is closer to the Walvis Bay as compared to the Beira

port. Mr Chivore, Transport Corridors Researcher with the Zimbabwean Ministry of Industry, Commerce and International Trade made the following remarks “the other reason for the establishment of the Walvis Bay dry port is that Beira port does not have a car terminal which is only in Maputo which is far but the Walvis Bay has specialised terminal for receiving the cars which are the major goods being received.” Walvis Bay harbour has become a significant entry gate for goods destined to Zimbabwe, mostly notable imports of vehicles from as far as Dubai, as well as textiles.

According to the Ministry of Transport (2013: 1) “In 2007 the Namibian President offered President Mugabe a piece of land for the development of a dry port facility.” The Memorandum of Understanding (MoU) was signed between the two respective governments on 9 June 2008 (Ministry of Transport 2013: 1). This was followed by negotiations of a lease agreement of the two parties. A lease agreement was signed between Road Motor Services (RMS), the Government of Zimbabwe appointed agent for the development of the dry port, and the Namibian Port Authority (NAMPORT) in 2009 (Ministry of Transport and Communication 2012: 2). Zimbabwe was offered 19 490 square metres of land by the Namibian Government to develop a dry port Facility at Walvis Bay. Ministry of Transport (2012: 1) notes that “It was agreed that RMS would pay monthly rentals of N\$136 430.00 (Approximately US\$16 238. 79) to NamPort with effect from 1 October, 2010. RMS appointed a Namibian Company, Salz Gossow Private Limited to carry out all the requisite developments on the dry port at a fee of N\$ 10 364 072 (approximately US\$1 233 599).” According to the Ministry of Transport and Communication (2012:1) the amount covers earthworks, sub base, base, segment paving, weighbridge and palisade fencing. This figure excludes construction of an office block and electrical installation which is estimated to cost N\$4 480 000 (approximately US\$533 238). Salz Gossow immediately moved on the site and started excavations intending to complete the work in September 2012. RMS also agreed with another company WML Consulting Engineers to provide the requisite consulting services on the project for a fee of R250 000. RMS accumulated rental arrears of N\$1 923 053.78. This study reveals that the Zimbabwean government implementation pace is slow due to financial challenges. The scheduled completion period has already passed.

ECA (2004: 193) maintains that “high transportation costs incurred during trade has a huge burden on traders.” The lack of access to the sea reduces the competitive edge in international trade. In addition to being a landlocked country, the region as a whole has a huge setback of

lack of infrastructures such as roads and railway networks. Mr Nyahada, from the Ministry of Industry, Commerce and International Trade pointed out that “Due to the increase in trade volumes in the region, the road and railway networks are no longer compatible to sustain large traffic flow.” SADC has the highest number of landlocked countries against poor operations of the existing ports. Ports in the region either operate below standard or are expensive for the traders to access them. To this effect, the establishment of a dry port at Walvis Bay complements the already existing ports in the region.

The establishment of the dry port seeks to achieve a number of objectives. According to the Ministry of Transport, Communications and Infrastructural Development (2013: 1) one of the objectives of the facility is to “provide landlocked Zimbabwe with unrestricted access to the sea for her imports and exports.” “Landlocked countries not only that they are deprived of access to the sea, but their neighbouring countries often have little interest in making the flow of goods across their borders easy for them (UNOLLC Report 2003: 1).” The dry port facility for Zimbabwe will ensure traders of easy transportation logistics. Easy access to the sea will ensure that costs are reduced as traders will access the dry port on competitive charges. For the government this will mean that it would be in a position to help traders move goods and services efficiently.

Another objective of the dry port as provided by the Ministry of Transport, Communication and Infrastructural Development (2013: 1) is that of “facilitating regional integration and trade through the development of the Trans-Caprivi, Trans-Kalahari and Trans-Cunene Corridors.” With the increase of global trade, regional integration has gained ground. A number of benefits can be accrued from a strong regional integration strategy. Regional integration allows for the smooth flow of goods and services. Mr P. Chimanikire, Economist within the Zimbabwean Ministry of Regional Integration and International Cooperation is of the view that, with the increase in globalisation the country needs to be integrated in the global economy. The bilateral agreement between Namibia and Zimbabwe will ensure more trading partners, easy access of markets, increased international markets and reduced trade related costs will entail that the goods will be competitive at the international markets.

Through the Walvis Bay dry port the Zimbabwean government seeks “to enhance the South-South Cooperation with the emerging powers such as Brazil (Ministry of Transport 2013: 1).” Apart from being a landlocked country, Zimbabwe again faced economic challenges due to

economic, political, and social factors. The period from 2000 saw the Zimbabwean government spreading its trading partners to include the East such as China and Latin America. South-South cooperation entails shifting from depending on trade with the West but with the rest of the world. This means increase of markets for the local traders at international level. Therefore, with South-South cooperation traders will be able to access other international markets.

#### **4.4. Benefits of the Walvis Bay Dry Port**

Several authors and agencies have made attempts to estimate benefits of trade facilitation. Even though quantification of cost and benefits of trade facilitation is rather complex, the wide-ranging impacts of trade facilitation have led to considerable interest in the area more recently in trade literature. “Several studies have focused on the impacts of trade facilitation and have attempted to quantify the cost and benefits (Wilson et al 2003: 1).” Quantification of the economic benefits associated with trade facilitation represents a major challenge due to the lack of reliable and precise data and the complexity of the underlying issues. A recent review of the literature in this area was conducted by the OECD (2005). Quantitative studies generally show that reductions in trade transactions costs (resulting from implementation of Trade Facilitation Measures (TFM) may result in global welfare gains of the same or larger magnitude than those expected from tariff liberalisation (APEC, 2002). Sengupta and Bhagabati (2003: 87) maintain that “one way of studying benefits of trade facilitation is by directly looking at savings in the trade transaction costs.” As trade transaction costs are studied element-by element, trade facilitation benefits may be examined measure by measure. Therefore, this part of the chapter assesses the benefits of trade facilitation through the establishment of the Walvis Bay dry port. Trade facilitation benefits can be separated into different players in the trade process such as the government, traders, clearing agents, the consumers as well as the region.

##### **4.4.1 Benefits of the Dry port to Traders**

One of the benefits of the dry port is highlighted in the remarks made by Mr Chivore that “Walvis Bay is less busy compared to the Durban port which saves time and money” Mr Chivore further noted that “the trade route to Walvis Bay is at the same time easy for traders due to road facilities and favourable carriers regulations.” As indicated earlier main imports to Zimbabwe are coming from the United Kingdom, America, and Dubai and goods mainly

being vehicles and textiles. South Africa as observed from the study has carrier's regulations for vehicles. Unregistered vehicles are prohibited to drive in transit in South Africa. Delays for motor vehicles carriers as they need to be full and wait again at the Beitbridge border post. However, the Walvis Bay Corridor on the other hand has good road facilities. For example Harare to Plumtree highway compared to Harare to Beitbridge highway has large volumes of traffic but bad conditions due to potholes. The Walvis Bay dry port will ensure a high turnaround for traders and transporters. Also the Plumtree border post is less busy compared to Beitbridge. This facilitates the smooth flow of trade.

Ms Mtetwa indicated that "The dry port will help in increasing the capacity of Walvis Bay port through efficiency." This research found that traders would want to use ports which save time and reduce delays. The ports of Durban, Beira, Maputo operate below capacity due to congestion. Mr Chivore pointed out that "Beira is congested due to coal and black granite." Since facilitation efforts exist to ensure that trade procedures are undertaken within the shortest time as possible the dry port will reduce the Walvis Bay port load resulting in accelerating the operations at the port.

The other benefit that comes through the Walvis Bay dry port is that of enhanced security and safety of cargo (Zimbabwean Ministry of Transport 2013: 1). Trade facilitation entails the smooth flow of goods and services. For trade to have been facilitated efficiently it entails also that the goods should reach the intended destinations safely and without unnecessary delays. Poor road facilities for example in Mozambique pose a serious challenge to the security of the Zimbabwean bound goods when a trader is using that route. A number of cases have also been reported on hijackings in South Africa. In Africa, South Africa is amongst the top countries with highest levels of crime rate. Such an environment is not suitable for easy flow of trade. The dry port comes with the benefit of security and safety of cargo.

The Walvis Bay dry port initiative will not only benefit the Zimbabwean bound traders alone. There are a number of benefits Namibian traders will enjoy due to the establishment of the dry port. The Namibian traders will benefit in the sense that, the Walvis Bay port will not be congested due to reduced traffic. Reduction in traffic flow will entail a high turnover on the traders using the Walvis Bay Corridor. Before the establishment and construction of the dry port all the traders used the Walvis Bay port and this means pressure to cater for all the traders using the port. Therefore, the dry port will reduce congestion.

Delays in international trade constitute a major contributor of unnecessary costs. The consumers will bear the time lost due to delays either at the port, on transit or at the border. The dry port facility will ensure that service delivery will speed up as Zimbabwean traders will not congest the Walvis Bay port. Security of goods is important in international trade. The establishment of the dry port will benefit the Namibian traders in the sense that, reduced congestion of the port will increase the security of their goods as they will be reduction in the congestion of the Walvis Bay port.

#### **4.4.2 Benefits of the Dry Port to the Zimbabwean and Namibian Government**

“The primary benefit of the Walvis Bay dry port to the Zimbabwean government is that it provides the country which is landlocked with unrestricted access to the sea for her imports and exports (Ministry of Transport 2013: 1).” Trade activity is affected by a number of bureaucracies that are involved in the process. Taxes and customs tend to be one of inhibiting factors that comes out alive in consideration of trade. The coming of trade facilitation is to eliminate and minimise the challenges that impede free trade in jurisdictions and blocks. This will have an effect on the amount of trade volumes. Smooth flow of goods and services will increase the volumes of trade for a particular country.

The bilateral agreement between Namibia and Zimbabwe also facilitates in ensuring greater regional trade integration and co-operation. Regional cooperation comes with its own advantages. Chingono and Nakana (2009: 493) observe that, the concept of regional integration assumes that “through cooperation of States within a certain geographical location they are economic and political benefits.” Economic benefits include but not all increased markets, and economies of scale. Economic integration encourages specialisation, improves resource allocation and enhances industrialisation through joint production of goods and services.

The dry port will not only be of benefit to Zimbabwe alone. Another benefit that the Walvis Bay brings is that of complementing other ports within the SADC region Muchado 2012: 13). Mozambican ports of Beira and Maputo cannot handle bigger vessels as compared to the Walvis Bay. The other challenge associated with the two ports is that of dredging. In South Africa the port of Elizabeth has always been associated with dirty and congestion as well. The problem of dredging will mean that Beira and Maputo ports operate below capacity (Muchado 2012:13). However, the establishment of the dry port will benefit the region in that

it will complement the traditional ports within the region. Ultimately the dry port will lead to an increase in imports and exports within the region.

This study found that, the construction of the Walvis Bay dry port in Namibia will not only benefit the Zimbabwean government alone. Despite Zimbabwe arguably being a major beneficiary of the arrangement, the host country Namibia has a number of benefits from the initiative. One of the benefits of the initiative is the increase of revenue sources through monthly rentals. It is important to note that the Zimbabwean dry port is not the only initiative of the same country. Other countries such as Zambia, Botswana have also been extended the same offer to develop a dry port. This then means that, Namibia will have revenue generated from rentals through dry ports which can be used for developmental purposes.

The establishment of a dry port will entail promotion of trade through their corridors. Increase in trade volumes has its own benefits. Among the benefits is the generation of revenue through transit charges such as toll gates which cost \$10 per truck per toll gate. The Namibian government will benefit from expanded markets. The study also found that the dry port tends to encourage foreign investment. For example the case of Zimbabwe which contracted a Namibian company to construct the dry port. Even after the completion of the lease agreement, the Namibian government would benefit from infrastructural development. The decks at the harbour are part of the infrastructure that the Namibian government will benefit in terms of infrastructure.

The other benefit is that of employment creation. Zimbabwe contracted an engineering company from Namibia to construct a dry port. This means employment creation for the Namibians. Improved trade volumes also tend to benefit more than one sector of the economy. For example sectors such as the transport, hotel and catering also benefit from traders coming into Namibia. Employment for clearing agents and transporters is created through dry port facility. Reduced congestion of the Walvis Bay dry port will ensure that more volumes are moved. As a result, revenue is generated for the government.

#### **4.5 Conclusion**

From the above analysis, one can conclude that trade facilitation has a positive and multifaceted impact on export and import competitiveness. On the one hand, a facilitated trading environment contributes to the reduction of the cost and the time of trade transactions, thereby enabling exporters to provide goods at a competitive price and in a timely manner

(ECA 2004: 83). On the other hand, a country with a facilitated trading environment is in a better position to attract FDI, and the capital, technology and business networks brought about by FDI would help domestic enterprises better integrate into the global markets.

Essentially, everyone stands to gain from making the process of trade easier. Governments gain because efficient border procedures make them able to process more goods and improve control of fraud, thus increasing government revenue. Businesses gain because if they can deliver goods more quickly to their customers they are more competitive and experience a high turnover. Consumers gain because they are not paying the costs of lengthy border delays. If a truck waits at the border for a week, ultimately the customer is paying for its being off the road and unproductive during that time. Dry ports offer direct and easy access connection to the port by rail or road, intermodal connection, and customs clearance services. Therefore, the establishment of the Walvis Bay dry port as shown in this study has a number of benefits to the government, traders and the region. Furthermore, the creation of employment is a benefit to both the government and the clearing agents. The dry port will ensure employment generation at the national and regional level. The dry port also provides cheaper space for the government to have access to the sea. Trade facilitation has benefits to both the trader and the government. The other benefits of dry port include increase in the effectiveness of the transport chain, help to develop hinterland areas, strengthen multimodal solutions, help to minimise traffic bottlenecks. Traders benefit in the form of cutting costs and reducing delays, faster customs clearance and release, and simple commercial framework. On the other hand, the government enjoys the benefits of effectiveness of control methods, more effective and efficient deployment of resources, correct revenue yields, improved trader compliance, accelerated economic development, and encouragement of foreign investment. Mr. Kathindi, Executive for Operations at Walvis Bay Port, highlighted the lack of progress at the Zimbabwe Dry port facility and urged the Zimbabwean government to expedite its internal processes leading to building and completion of the port and begin to take advantage of the trade opportunities that can be gained with the Americas, Europe and North West Africa.

## CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

### 5.1 Conclusion

There has been growth in international trade at the same time Africa and Southern Africa in particular still experience reduced or low volumes of trade. The rise in the amount of trade also means an increase in the costs that are involved to finance this process. At the same time customs will also be an on the increase, this affecting the consumer at the end of the day. In many instances border related costs have an effect on the cost of trade. This is further compounded by some delays which are inherent in the system. The sustainability of international trade is therefore compromised because of these distortions. Trade facilitation refers to the process in which parties seek to eliminate trade related obstacles to facilitate a smooth flow of goods and services in trade. As the title implies, the mischief behind trade facilitation is simply to simplify the process of trade through the removal of hurdles in forms of customs, taxes, cutting on the inefficiencies of the border staff, among other things. For a long time countries in Southern Africa have been having challenges in trading freely, this was contributed by quite a number of factors including duties, customs and excises, and bureaucracies. The net effect of this is to curb the volumes of trade that pass through countries borders. SADC has as its goal formation of common political interests and support greater trade and investment flows between Member States. The drive arose from the irregular colonial history that the SADC countries went through. The apparent imbalances in the economic systems had an effect on the volumes of trade. SADC therefore seeks to promote the economic trade between member states in order to bolster the economies of fellow countries. African trade, African states have resorted to help each other facilitate trade on a regional basis.

The SADC Trade Protocol (1996) provides the legal framework that facilitates trade within the region. “The protocol seeks to achieve the liberalisation of intra-regional trade in goods and services.” The other mandate of the protocol is to enhance economic development and establishment of a Free Trade Area in the SADC region. The study found that the drive for regionalism in Africa is rooted in the conviction that most countries can accelerate economic growth and development through cooperation with other States. The problem faced in trade facilitation in the region therefore rests on the implementation of the agreements and protocols. In an interview conducted in February 2013, Ms Mtetwa from the Zimbabwean Ministry of Industry, Commerce and International Trade indicated that, “increased trade

growth is not much about the tools or legal instruments but the products being competitive” A similar view was shared by Mr Chivore highlighting that “the challenge with Africa is not to do with lack of agreements but Africa primarily trades with unfinished products. The raw materials are of less value as compared in their finished state.” This investigation therefore reviewed that effective implementation of measures can achieve meaningful trade facilitation.

The study found that SADC have the highest number of landlocked countries which face similar challenges in international trade. Apart from lacking sea port access, landlocked states face another challenge of having to pass through one or more transit countries. Compared to their European counterparts, SADC regional trade environment poses a challenge to easy free flow of goods and services. There is a close link in trade between transport and trade. The study revealed that high transport costs and prices are widely seen as a major obstacle to increased trade and economic growth in Sub-Saharan Africa. The study also found that the major problem facing Zimbabwe is that the quality of infrastructure is deteriorating and therefore acting as an impediment to trade.

It is important to note that as an effort to address the transport problem, Zimbabwe was offered a land to develop a dry port facility in Namibia. Interviews conducted at the Ministry of Industry, Commerce and International Trade in February 2012 revealed that the dry port was to act as an alternative to the traditional ports within the region. Quite a number of challenges were highlighted that were associated with the traditional ports. Mr Chivore indicated that current challenges encountered using traditional ports included congestion, long turnaround times, high port costs and cargo safety and security.

Zimbabwe is a landlocked country which needs to pass through other countries’ territories to reach external ports. At the same time, it is also a transit country because other countries like Zambia, DRC and Botswana need to pass through it on their way to the sea ports. Therefore, Zimbabwe needs to ensure that regional traffic movement is smooth but neighbouring countries are also expected of the same to ensure that Zimbabwean transporters do not face hurdles on their way to and from the sea ports. Transit standards, regulations and procedures between Zimbabwe and its neighbours should be simple and harmonious for smooth movement of traffic. It should be possible that a certificate issued in one country would be recognised in all the other countries along the transport corridor. Unfortunately this is not the case. Transit traffic face many checkpoints along the transport corridors whose purpose is to

enforce national transit requirements like road user charges and axle load limits. The checks would be unnecessary if the regulations were the same.

The facility as observed in this study seeks to achieve a number of objectives. One of the objectives of the dry port facility is to provide landlocked Zimbabwe with unrestricted access to the sea for her imports and exports. In an interview with Ms Mtetwa from the Zimbabwean Ministry of Industry, Commerce and International Trade, she made the following remarks on the rationale behind the establishment of the facility that “it is a way of maximising every available option and most efficient trade route. In essence to ensure Zimbabwe bound goods get efficiently transported.” The more ports the country get, it spreads risks and saves time.

Although a good initiative to facilitate trade through reduction of transportation costs, the Walvis Bay implementation progress showed that in terms of implementation of measures there is a challenge. The facility was scheduled to be completed in September 2012. To date the facility is not yet operational due to financial limitations. Despite being member to a number of economic inter-governmental organisations, Zimbabwe has problems in implementing agreements and measures. For example, an audit carried out in 2012 by the United States of America (USA) Southern African Trade Hub on behalf of the SADC Secretariat shows that Zimbabwe has not implemented tariff phase down in line with the STP since 2008. Further areas where implementation is lagging behind include transit management system, interconnection with other administration, authorized economic operators, and expanding one stop border posts. Some of the major reasons noted for the non-implementation of regional commitments are multi memberships which creates pressure on human and financial resources to attend and implement multiple instruments and procedures of the two blocs, limited funds, limited technical capacity to implement the commitments, and long gazetting procedures due to bureaucracy.

Border delays are a major source of high transport costs, with some studies attributing seventy per cent of the transport costs in Zimbabwe to the delays. The major cause of the lengthy transit times are long and cumbersome procedures involved in passing through the two sets of identical controls on each side of the border. On the Zimbabwean side, there are several government agencies (about 8) enforcing duplicative laws at the border, including Environmental Management Agency (EMA), Immigration, Health inspectors, Revenue Officials, Agriculture among others. They all need to inspect the goods before the goods are released. The inspections are usually done in sequence, meaning that traders have to wait

long before all the agents have finished. Yet doing the inspections as a parallel process would significantly cut costs and the time involved. The border delays usually lead to huge losses for traders as some goods, particularly perishable ones (fruits, vegetable, meat, dairy products) go bad during the long waiting. The delays also lead to corruption as exporters offer bribes to customs officials in return for speedy clearance. Border delays are also associated with the spread of HIV/AIDS since truck drivers end up being involved in risky sexual behaviour due to long waiting and boredom.

Transit traffic passing through Zimbabwe and Zimbabwean transporters passing through neighbouring countries face major challenges which translate into high transport costs. The challenges are more to do with slow implementation or non-compliance with regional protocols (SADC and COMESA) and inconsistencies of regulations among the different regional blocs. They include road user charges, axle-load limits, insurance, and customs bond.

The study found that though Zimbabwe can arguably benefit more with the establishment of the dry port since it is a landlocked country, the Namibian government has its own benefits from the arrangement. The benefits include among others, increased revenue through transit charges, employment creation, less congestion on the Walvis Bay dry port, expansion of the markets, form of foreign investment attraction, and improve security of cargo for traders.

## **5.2 Recommendations**

The study reveals that the demand for transport is likely to rise in accordance with trade growth and if nothing is done now to improve the transport infrastructure, the transport may not cope with the future demand, thereby becoming a major barrier to trade. The economic challenges faced by Zimbabwe in the last decade have significantly eroded the country's capacity to produce goods and services for trade. Trade and transport facilitation has suffered due to deteriorating infrastructure, unsupportive economic environment for doing business and slow implementation of regional protocols. However, since the formation of Government of National Unity in 2009, trade performance has started to improve and it is bound to improve further. What is important in order to realise the trade potential is to address challenges currently affecting trade and transport. Key recommendations provided in this study are that there is need on the part of the government to improve on the implementation pace on all the agreed regional trade facilitation strategies. The other recommendation is that as long the local industries are not producing and most closing down operations or reducing

the levels, there is no meaningful trade from the initiatives of dry ports. Increased trade volumes can only be realised when the local manufacturing industries are performing to their expected levels. This study thus recommends that the SADC countries needs to provide first an industry that is productive. Furthermore, the government needs to strengthen the Public Private Partnerships (PPP) as one of the most effective ways to enhance local national trade capacity and competitiveness. The governments in the region should also create a conducive regulatory and institutional environment in order to attract investment in the sectors where the challenges are being faced before securing more dry ports and failing to develop them.

Rehabilitating the infrastructure is a key imperative to improve trade facilitation in the SADC region. New road and rail links also need to be constructed in order to cope with the rising trade business. There is need to include the private sector in the infrastructure rehabilitation and current regulatory framework on Public Private Partnerships (PPPs) should be further strengthened. Shortage of funds implies that a phased approach to road infrastructure rehabilitation should be considered, starting with low costs interventions on the most significant roads or rail in terms of commerce. For roads, these are Harare-Masvingo, Harare - Namapanda Harare – Mutare) and Harare- Chirundu. For rail, these are the sections connecting the production hubs to the ports of Beira and Durban.

The study recommends that addressing a single barrier to trade will not produce effective results. Other barriers to trade needs to be taken into consideration for example border delays. Reducing border delays will have the most profound impact in cutting transport costs and measures to improve border efficiency should be taken as high priority. Measures include establishment of more One Stop Border Posts, further development of ICT infrastructure, establishment or strengthening of electronic certification, establishment or strengthening of National Single Window Offices, computerisation of trade licences and permits, establishment or strengthening of infrastructure to facilitate the tracking and tracing of consignments, continuous training of customs officials and border agencies, and harmonization and simplification of RoO in line with the Tripartite agreements. The Walvis Bay dry port complemented by such measures will ensure effective trade facilitation. This benefits the traders and in-transit transporters as they will be smooth movement of their goods.

Regulations guiding the operations of transporters should also be reviewed with the aim of making the transporters more efficient. Rehabilitating the transport infrastructure is therefore

a key imperative to improve trade facilitation in SADC. Improving road transport efficiency would have the most significant impact in enhancing SADC's trade competitiveness in the short term because most export or import goods are transported by road. This sector has already been deregulated and the most effective way of improving efficiency here would be to strengthen the competitive regulatory framework by dealing with monopolistic tendencies and rent-seeking behaviour by some transporters. Making information readily available on the market would go a long way to enhance competition. Improving the infrastructure and road or rail operations alone would not be sufficient without addressing challenges of border delays because about seventy per cent of the transport costs in SADC relate to delays at the border posts. The observation that border delays contribute significantly to transport costs in SADC region suggests that measures to reduce the border delays should be regarded with the highest priority since they will likely have the most profound effect in cutting transport cost.

In consideration of the above, addressing the problem of border delays will likely have the most profound impact in reducing transport costs in the region. It is important that SADC expeditiously implement all regional transport protocol provisions, including those of the SADC Protocol on Transport, Communication and Meteorology. This would strengthen the regional integrated approach to transport management, thereby facilitating the provision of seamless regional traffic. There is need for efficient industries in a particular state for trade facilitation to be meaningful. A report by the United Nations Conference on Trade and Development (UNCTAD) shows that in Zimbabwe, the transit costs alone, account for 16 % of the value of the country's exports. Therefore, harmonising the transit procedure would therefore have a significant impact in reducing transport costs. Future studies should therefore focus on the ways on how to address the challenges of lack of implementation of agreements.

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## APPENDIX

The researcher conducted interviews with research experts from the following Zimbabwean Ministries; Ministry of Industry, Commerce, and International Trade, Ministry of Transport, Communication, and Infrastructural Development, and Ministry of Regional Integration and International Cooperation. Below is a list of the respondents and the respective Ministries.

Ministry	Respondent	Date of Interview
Ministry of Industry and Commerce	Mr Nyahada	16 January 2013
Ministry of Industry and Commerce	Ms Mtetwa	16 January 2013
Ministry of Industry and Commerce	Mr Chivore	16 January 2013
Ministry of Transport	Mr Chifema	17 January 2013
Ministry of Regional Integration	Mr Chimanikire	17 January 2013

The researcher was guided by the following questions:

- What do you understand by the concept of trade facilitation?
- What is meant by a Dry port?
- What reasons were behind the establishment of the Walvis Bay dry port?
- What challenges are faced due to remoteness from the sea ports in international trade?
- What objectives are being sought with the establishment of the dry port?
- How is the facility going to benefit a landlocked Zimbabwe?
- The government?
- Traders?

- SADC region?
- What challenges are being faced by the traditional ports in the SADC region?
- In what ways will these challenges be mitigated by the establishment of the dry port?
- How is it going to complement other ports in the region?
- At what development or construction stage is the dry port facility at?