SUMMARY

1. Since its last trade policy review in 2009, Zambia, a Least Developed Country (LDC), recorded relatively strong economic growth at an average rate of 6.6% per year up to 2015. According to the World Bank analytical classification, it became a lower-middle income country in 2014, with a GNI per capita of US$1,680. This performance was mainly attributed to growing demand for copper (the main export product) and its spillover effects on some other sectors such as transport, communications, and wholesale and retail trade. Buoyant construction activities and higher agricultural production also helped. GDP growth has however decelerated since 2013, due to technical difficulties in the mining sector; in particular, some unscheduled maintenance problems left a number of mines out of operation for several months. In addition, weaker global demand for copper further frustrated investments in mining.

2. Zambia succeeded in lowering annual inflation from two digits to a one-digit level as from 2010, but it has remained generally higher than the 6.5% target of the Bank of Zambia, and it even reached 10.1% in 2015. Indeed, high world prices of petroleum products, elimination of consumer subsidies, depreciation of the Zambian Kwacha by some 50% over the period September 2014 to September 2015, and financing of increasing public deficit by the Bank of Zambia have contributed to maintaining inflation high.

3. In an attempt to curb inflation, the Bank of Zambia has implemented various measures. However, while the gradual increase in the policy rate from 9% in 2012 to 15.5% in November 2015 is likely to contribute to containing inflation, the elimination of the reserve requirement and liquid asset ratios may exert inflationary pressure. Moreover, falling international copper prices and high depreciation of the Kwacha have negatively affected Zambia's external position, the country being a price taker for copper and a net food importer. As a result, the external current account has turned into deficit in recent years after registering surpluses up to 2012.

4. Zambia's ratio of trade in goods and services to GDP (82% in 2014) suggests that trade is important to its economy. Copper continues to be by far the top export earner (accounting for over 70% of the value of merchandise exports). Its imports are more diversified and consist mainly of machinery, transport equipment, and oil and automotive products. Africa is the leading source of Zambia's imports, with South Africa and the Democratic Republic of the Congo leading the way. Europe remains the top destination for its exports and, in particular, Switzerland, the single most important destination.

5. Investment is regulated by the Zambia Development Agency Act that opens most activities to foreign investors. Zambia performed relatively well in attracting foreign direct investment: FDI inflows registered an almost fourfold increase from US$700 million to US$2.5 billion from 2009 to 2014. However, FDI is largely destined to the mining sector, highlighting the lack of diversification in the economy. High costs of doing business, due to unreliable energy, difficult access to finance, high interest rates, and recent macroeconomic uncertainties (due to frequent tax policy changes in mining and exchange rate volatility) are among the main factors holding back the country's diversification efforts.

6. Zambia has implemented several reforms aimed at improving its business environment and attracting foreign investment. In fact, an online system was introduced for business registration and an e-registry was implemented. The registration time was reduced to less than 24 hours in areas where one-stop shops have been established. The Business Licensing Reform Committee recommended that, of the 517 licences identified as affecting business operations in Zambia, 290 be retained, 170 be eliminated, and the others be reclassified, merged, or converted. A Business Regulatory Review Agency was established in 2015 to review new proposals for licences, to ensure that only necessary licences are introduced and to increase the accountability of regulatory authorities.

7. Zambia ratified the WTO Trade Facilitation Agreement in December 2015, and notified its Categories A, B, and C commitments in January 2016. Zambia is a member of both COMESA (Common Market for Eastern and Southern Africa), and SADC (Southern African Development Community). Negotiations on a Tripartite Free Trade Area (TFTA) between COMESA, SADC, and the EAC (East African Community) aim at creating a free trade area among the members of the

three regional economic communities and addressing inconsistencies related to their overlapping membership. Zambia has also maintained preferential trade agreements with other countries. It is involved in negotiations on Economic Partnership Agreement (EPA) with the EU. As an LDC, Zambia is eligible for the Everything-But-Arms (EBA) initiative of the EU, and has duty-free and quota-free access to the U.S. market under AGOA.

8. Zambia implements ASYCUDA World, and all customs declarations are conducted electronically. Difficulties in implementing the WTO Customs Valuation Agreement in Zambia are reportedly due mainly to frequent falsification of invoices by importers. Zambia bound tariffs on 16.7% of all lines: tariffs on all agricultural products (WTO definition) are bound, as well as on 3.7% of all lines for non-agricultural products. The simple average of Zambia's final bound tariff rates is 105.9%. The applied MFN rates are much lower than the bound rates. Its average applied MFN tariff rate was reduced from 13.4% in 2008 to 12.9% in 2016: the simple average rate for agricultural products (WTO definition) fell from 19.1% to 18.9%, while that for non-agricultural products fell from 12.5% to 11.9%.

9. Recognizing that one obstacle for Zambian manufactured products to access global markets is the lack of adherence to systematic and internationally acceptable quality standards, the Government developed its National Quality Policy in 2011. It aims at establishing by 2020 a national quality infrastructure, to ensure locally-produced goods and services are recognized and accepted by Zambia's trading partners. By mid-September 2015, a total of 2,434 standards had been published in Zambia, of which 60% are adopted international standards, and the other 40% are Zambian standards based on international/regional/foreign standards or with a mix of source documents. About 2% are technical regulations. The SPS regime remained unchanged during the review period. COMESA has been assisting Zambia in identifying priorities for SPS investment, considering that resources are generally insufficient.

10. Export taxes apply on a number of products including mineral ores and concentrates, waste and scrap metals, and some types of timber products. According to the authorities, this is to encourage value addition within the country and to control the stealing of copper. Export prohibitions apply to, *inter alia*, raw animal hides and skins, logs, and wood charcoal. The Government may restrict maize exports from time to time, for food security reasons.

11. Zambia amended or enacted various trade-related laws over the period under review. It promulgated a new Competition and Consumer Protection Act in 2010, with a view to enhancing the predictability of the related enforcement mechanism; however, sectoral regulators still play an important role in monitoring competition in their respective domains. The Copyright and Performance Rights Act was amended in 2010 with a view to better countering piracy, handling complaints, addressing offences and enhancing sanctions. Other IPR-related legislation remained unchanged, although five bills are under consideration on: trademarks, patents, industrial designs, layout designs, and traditional knowledge.

12. The public procurement regime was reformed in 2013: public procurement has been decentralized and the Zambia Public Procurement Authority (ZPPA) is no longer involved in proceedings. Nevertheless, the wide range of methods available to procuring entities and the large flexibility in their use suggest that transparency could be improved in the new regime. Currently, statistical data are not available on public procurement. The Government intends to develop an e-procurement system to address these weaknesses.

13. Agriculture remains an important sector in Zambia, providing livelihood for over 70% of the population, and contributing 10% to GDP and to total export earnings. Maize, the country's staple food, together with seed cotton, sorghum, rice, millet, sunflowers tobacco, Irish potatoes, wheat, and soya beans remain the leading crops. The sector has a strong growth potential given the country's large fertile land and water resources endowment. Indeed, some 58% of Zambia's total land area is classified as having medium to high potential for agricultural production, but only 14% of agricultural land is utilized. The National Agriculture Policy pursues objectives of, *inter alia*, food security, a sustainable increase in productivity for major crops, and continuous improvement of access to export markets for Zambian agricultural products. A number of assistance programmes are in place to support mainly small-scale farmers and promote the participation of the private sector in agriculture.

14. Zambia is well endowed with copper and cobalt (over 97% of mineral exports), with mining still an important pillar of its economy. In recent years, this sector has been facing various challenges, including infrastructural constraints, uncertainties in taxation, and low international copper prices. However, the sector remains the main recipient of FDI in the country.

15. Manufacturing remains underdeveloped. It is dominated by agro processing (over 63% of total manufacturing production), textiles and leather industries. Recognizing the fundamental role of the sector in Zambia's economic diversification strategy, the Government has implemented various support measures, such as the establishment of multi-facility economic zones (MFEZs) and industrial parks.

16. Services, mainly finance, tourism, transport, and communication continue to be the backbone of the Zambian economy (approximately two-thirds of GDP). A number of constraints impede significant expansion of its international trade in services, with the country remaining a net services importer during the review period. The constraints include limited services supply capacity; an inadequate regulatory framework; absence of a national policy concerning services trade; and difficulties in translating regulatory frameworks into opportunities. Under the GATS, Zambia has bound market access in certain business services, construction and related engineering services, healthcare and social services, and tourism and travel-related services.