

THE LEGAL FRAMEWORK OF FOREIGN  
TRADE AND DEVELOPMENT IN ZAMBIA

BY  
SYDNEY WATAE

A DISSERTATION SUBMITTED TO THE  
UNIVERSITY OF ZAMBIA IN PARTIAL FULFILMENT  
OF THE REQUIREMENTS FOR THE DEGREE  
OF MASTER OF LAWS

THE UNIVERSITY OF ZAMBIA  
P.O. Box 32379  
LUSAKA

1989

TABLE OF CONTENTS

<u>PRELIMINARIES</u>	<u>PAGE</u>
TITLE	i
DECLARATION	iv
ABSTRACT	vi
INTRODUCTION	1
1. NATURE OF STUDY	1
2. BRIEF BACKGROUND	6
3. OUTLINE OF STUDY AND METHODOLOGY	11
<u>CHAPTER ONE</u>	
THE ROLE OF THE STATE IN TRADE AND DEVELOPMENT	14
1. The State and Development	14
2. Trade and Development	23
<u>CHAPTER TWO</u>	
ORIGINS OF THE LEGAL FRAMEWORK AND THE DEVELOPMENT OF TRADE POLICY AFTER INDEPENDENCE	37
1. Introduction	37
2. The Legal Framework before independence	38
(i) Control of Goods	39
(ii) Exchange Control	43
(iii) Customs Tariffs	48
3. The Legal Framework after independence	53
(i) Control of goods	53
(ii) Exchange Control	56
(iii) Customs Tariff	58

	<u>PAGE</u>
4. Trade policy after Independence	60
(i) The first decade 1964-1974	61
(ii) The Second decade 1975-1985	67
 <u>CHAPTER THREE</u>	
<u>THE TRADE REGIME</u>	79
1. Introduction	79
2. The Import Factor	80
(i) Exchange	84
3. The Export Factor	88
(i) Incentives and export promotion	89
 <u>CHAPTER FOUR</u>	
<u>APPRAISAL OF THE TRADE REGIME</u>	98
1. Introduction	98
2. Import Control and Exchange Regulation	99
3. Export Regulation	108
4. In Perspective	112
 <u>CHAPTER FIVE</u>	
<u>CONCLUSION SUMMARY AND RECOMMENDATIONS</u>	121
 <u>BIBLIOGRAPHY</u>	 139

DECLARATION


I ..... SYDNEY WATAE ..... do solemnly  
declare that this Dissertation represents my own  
work which has not previously been submitted for a  
degree at this or another University.

SIGNED: ..... Sue .....


DATE: ..... 3rd NOVEMBER 1989 .....

APPROVAL

This dissertation of SYDNEY WATAE is approved as fulfilling part of the requirements for the award of the Master of Laws Degree by the University of Zambia.

Signed:  .....

DATE: 1 MAR 1989 .....

Signed:  .....

Date: 18/10/89 .....

Signed:  .....

Date: 19/10/89 .....

Signed:  .....

Date: 19/10/89 .....

A B S T R A C T

This is a study of the legal framework and administrative practices governing trade in Zambia. It begins by considering the pertinence of trade, that is external economic intercourse, to development. In this regard it considers the role of the state in development, and that of law, as a tool of social engineering.

The study examines the major theories that have been promulgated about the role of trade in development. For developing countries, such as Zambia, the main theories in this respect have been those relating mainly to import substitution and export oriented growth.

An overview of the trade regime before independence in Zambia is also given in this study. This is necessitated by the fact that the law enacted by the colonial regime has had an over all profound effect on the development of trade related policy. It's influence on the content and operation of the legal order is also made.

The study then examines the effects and consequences of the legal and administrative framework on the trade regime in Zambia and it's implications for economic growth and development.

In conclusion, the study makes observations about ways in which the regime can be made more effective in it's role as a vehicle for economic growth and development.

## INTRODUCTION

The purpose of this study is to examine the legal aspects of Zambia's external trade. The focus of the study is to assess the effectiveness of the law, and the administrative process it establishes in fostering economic development. In so doing we shall consider the procedures and processes to which exporters and importers have to conform and then determine whether the frame-work within which they operate promotes trade and economic development.

### 1. NATURE OF STUDY

Trade between nations has from the earliest times been necessitated by the uneven distribution of resources and the different climatic conditions obtaining in different parts of the world. As a result no nation possesses all the resources or commodities it requires, either for economic development or for consumption. Further even in cases where there is more than one producer of a particular commodity, comparative advantage has to a certain extent determined trade flows. Therefore, it is not only the international distribution of resources which has necessitated trade, but also the international division of expertise, technology etc.

Trade which is the movement (exportation and importation) of goods and services across national boundaries offers a



number of benefits. On the export side, foreign trade usually allows the employment of factors of production which would otherwise not be exported at all (e.g. it is highly unlikely that in Zambia - investment in copper mining would have been on such a large scale if there was no foreign trade in the metal). Exports lead to a physical increase in the national product in the form of corresponding imports. Foreign trade thus provides additional employment and income, a wider variety of consumer goods, and a higher standard of living. Inversely, the loss of such trade generally means additional unemployment, loss of income, a reduction of the national product, and a deterioration of the standard of living.

On the import side, foreign trade allows the importation of vital goods which for one reason or another cannot, or cannot yet be produced within the country, for example, essential consumer goods (pharmaceutical products, scarce essential foodstuffs etc) and essential capital and industrial goods (fertilizers, insecticides, machinery, spare parts for existing machinery, fuels etc.) The contribution of such imports and hence of the corresponding exports to the gross national product and to the standard of living can be very substantial. Fertilizers may easily multiply the yield

per hectare and man hour, the same applies to insecticides, irrigation equipment, this may lead to the cultivation of regions otherwise not cultivatable. Such foreign trade again means additional income, wider variety of products, a higher standard of living, and possibly additional employment.

However, the movement of goods across national boundaries has not always been as simple as the foregoing suggests, nor has it been determined solely by comparative advantage. The benefits of international trade as enumerated above have not always accrued to the parties concerned. The commercial policies of the various parties to this trade have determined trade flows and thus the possible benefits accruing from it. Commercial policy incorporates a government's tariff policy, quantitative trade restriction, trade subsidies, government trading and other direct government interventions in external economic intercourse.

An important point to note is that, international co-operation such as in the General Agreement on Tariffs and Trade (GATT) to reduce trade barriers, and institute some form of international obligation, has to a considerable extent subjected commercial policy to international regulation. However, despite this, a government still has

considerable latitude, to institute administrative procedures and processes to regulate its commercial relations with other countries. As such it falls in accordance with the law within the jurisdiction of government and the legislature who decide on them within their sovereign rights. Therefore, a government has the authority to impose administrative ~~procedures~~ and processes to regulate its side of international trade.

In this study it is our intention to limit the study of government commercial policy to purely legislative and administrative requirements which the government may from time to time require to be fulfilled before goods can be imported into or exported from its territory. This policy will in most cases incorporate the administration of import duties and import licensing, export duties and export licensing, and allocation of foreign exchange. The enforcement and supervision of these administrative processes is usually vested in more than one governmental agency. Conferment of such functions on administrative authorities is usually by way of an Act of the legislature. These statutes are usually characterised by general language wording and confer wide discretionary powers on the authorities concerned with their administration. This is usually

done to give the authorities flexibility in administering the statutes. Commercial policy may change from time to time according to changing circumstances. It would be cumbersome and would undoubtedly slow the process of government if each such change would require a like change of the statute needing parliamentary disposition. Further it is the proper province of the executive to administer policy, parliament would be outstepping its bounds if it sought to do likewise.

As a result the procedures and the law governing the application of commercial policy is largely to be found in statutory instruments (regulations) made by administrative authorities. Therefore, the various decisions made by administrators are of crucial importance as they are the practical application and implementation of commercial policy. The decisions made affect not only the well being of the particular country's citizens but also the country's development in many fields, be they economic, social or cultural.

In this study therefore, it is our aim to study in detail the various decisions presently governing the administration of Zambia's external trade,

under the Control of Goods Act, the Exchange Control Act and the Customs and Excise Act. We shall examine the role that various institutions such as the Bank of Zambia, the Ministry of Commerce and Industry and other administrative bodies such as the Foreign Exchange Committee and the export promotion council play in the administration of Zambia's trade, and most importantly to what extent the administrative framework has been conducive to economic development.

It is hoped that the study by its very nature will provide a useful insight into the relationship between the law and development. Zambia like other developing countries in the search of rapid economic and social development has increasingly resorted to the legislative process to induce certain desired behaviour with the hope of attaining development goals.

## 2. BRIEF BACKGROUND

During the colonial period the economic relationship that existed between the colonies and the industrialised countries was essentially one of dependence. The colonies on the one hand were raw material producers and markets for the finished goods of Europe, while on the other hand the industrialised countries were mainly exporters of

finished consumer and capital goods. This international division of labour naturally resulted in a one sided growth for the economies involved, in favour of the European economies. While there was hardly any industrial growth in the colonies, (except for the purpose of producing raw materials e.g. minerals), industry and economic growth flourished in Europe. The colonies were not encouraged to establish industry to produce consumer or capital goods, they were instead encouraged to import from Europe where these goods were readily available. Therefore, in the colonies there hardly existed any barriers to trade to restrict the importations of goods.

At independence therefore, most developing countries found themselves with extremely weak or small industrial sectors. Most governments as a result, embarked on a policy of import substitution. It was essentially an attempt to establish, or encourage the establishment of local industry, by the institution of certain barriers to the importation of products from abroad and the offering of incentives to local industry, this was particularly true where imported goods could be produced in the importing country. This process of import substitution was further made necessary by the balance of payments problems many developing countries faced soon after independence. Developing countries

found themselves in a situation where their exports were increasingly fetching lower prices in industrialised countries' markets, while their imports from the same, of capital and other industrial goods were increasingly becoming more expensive. The developing countries' exports were therefore not able to pay for the required imports, and as a result a balance of payments deficit problem soon developed.

Substitution of imports therefore offered some way out of this situation. Apart from this reason (i.e. to combat balance of payments problems), industrialisation in many developing countries represents the main avenue toward an expansion of employment and of the national product. Import substitution to a considerable extent implies the substitution of imported manufactured goods by locally produced goods. The institution of this policy presupposes in many cases government intervention by such means as import duties, quantitative import restrictions, payment restrictions, government trading, state trade monopolies etc. The manner in which import substitution policy has been administered in a number of developing countries, has varied, this being as a result of their different developmental goals. However, one feature remains

common in substitution policy among developing countries, that of doing away with what are classified in different jurisdictions as luxuries. Goods so classified face a total ban or a very high import duty.

On the other hand, goods which are considered vital to the national economy, such as fertilizers, insecticides, fuels, spare parts for essential machinery are less likely to face such restriction. Governments with respect to these products dare not risk prolonged interruptions in their supply nor large increases in their prices. This is because even small deficiencies would have a disproportionate impact on prices, production, foreign exchange earnings and exports. Although duties are maintained on these vital goods, their nature is essentially different from those maintained on luxury goods or other products producible locally. With the former import duties function very much like direct taxes, merely to raise government revenue. However, with the latter the duties assume the character of a governmental instrument of protection.

The government by its commercial policy attempts to affect the patterns of consumer demand. By pricing imported products way above locally produced products, the government hopes to shift consumer demand away from



imported to local products. If this policy is successful it may result in a substantial saving of foreign exchange.

Finally, it must be noted that in many jurisdictions import licensing and foreign exchange allotment plays a major role in attaining government goals in as far as the institution of substitution policy is concerned. Licensing which usually lies within the jurisdiction of a government agency, that is, of a special division of the Ministry of Commerce. Where there is a foreign exchange control, licenses issued by the afore-mentioned agency, in order to make sense must procure for the license a claim on the corresponding amounts of foreign exchange. This often leads to an additional examination by the exchange/authorities concerned, in most cases the central bank - which may tighten the control, but inevitably complicates and lengthens the procedure and requires more personnel. It is up to the council of ministers or even the legislature to decree the necessary rules and regulations, and especially to fix the criteria by which they are determined:

- (1) What total quantities (or values) of each merchandise are to be admitted, and
- (2) How these quantities are to be distributed among the firms interested in these imports.

Import control merely through foreign exchange allotment is handled by monetary authorities, usually by a special division of the central bank. In this case, the above-mentioned rules directly concern these authorities. Quite naturally the immediate purpose of import restrictions, namely the improvements of the balance of payments, is of particular importance to a central bank, and to entrust the bank with the application of the restrictions therefore, increases the chance of attaining the monetary aims. Inversely Ministries of Commerce, when handling the restrictions through import licensing, may be expected to attribute more importance to the general economic environment and the general good of national economic policy.

### 3. OUTLINE OF STUDY AND METHODOLOGY

As stated above, it is the purpose of this study to examine the legal framework of Zambia's external trade, and ascertain whether the administrative machinery that it creates is conducive to economic development.

Chapter one will therefore examine, legislation, trade policies and economic development generally. It shall be the writer's objective in this chapter to

illuminate the connection between the law, policy and development. An examination shall be made to ascertain how the law and the administrative framework it creates can be effective tools for economic development. This chapter will in essence provide the theoretical basis upon which analysis of the Zambian situation will be made in later chapters.

Chapter two will trace the origins of the legal and administrative framework of Zambia's external trade. We shall also trace the development of trade policy in Zambia up to contemporary times.

Chapter three will contain a detailed study of the existing legal and administrative framework. It will examine the operation of the various pieces of legislation, and the administrative mechanisms which have been instituted to put such legislation into effect. This will encompass an examination of the role played by various institutions, governmental and non-governmental.

Chapter four will consider the impact of the legal and administrative framework on Zambia's external trade. It shall be considered whether the measures in existence have been effective in promoting economic

development and implementing government policy.

Chapter five will conclude and offer suggestions as to how the legal and administrative framework may be made more effective in promoting economic development.

THE ROLE OF THE STATE IN TRADE  
AND DEVELOPMENT

1. THE STATE AND DEVELOPMENT

Poverty is a major problem facing many developing countries. Per capita income in developing countries averages no more than US \$245 (as compared with 9,684 US Dollars in the developed world)<sup>1</sup>.

This poverty further manifests itself by way of;

- (i) A high infant mortality rate, 50 per cent or more infants in developing countries die before they attain the age of five<sup>2</sup>.
- (ii) Low life expectancy. In most developing countries life expectancy is estimated at thirty-two (as opposed to sixty five or seventy in developed countries)<sup>3</sup>.
- (iii) Disease is rampant with cholera, typhus, typhoid, river blindness, sleeping sickness, malaria, malnutrition, leprosy, and tuberculosis, threatening lives in many communities<sup>4</sup>.
- (iv) Low levels of literacy<sup>5</sup>.
- (v) Poor housing and sanitation<sup>6</sup>.

- (vi) Inadequate health facilities<sup>7</sup>.
- (vii) Famine<sup>8</sup>.
- (viii) High levels of population growth<sup>9</sup>.
- (ix) High and rising levels of unemployment<sup>10</sup>.
- (x) Significant dependence on agricultural production and primary product exports<sup>11</sup>.

The ultimate objective of development therefore, in developing countries, is not merely to raise per capita income and gross national product, but to eradicate the ills listed above. Development should thus, be seen as a self conscious social process by which developing countries attempt to mould the conditions of their existence, thus raising their standards of living in their respective territories<sup>12</sup>.

At the outset it is important to note that the term development is not synonymous with economic growth. It is possible to envisage a situation of economic growth without development and vice versa<sup>13</sup>. However, notwithstanding this fact, the two are closely related, and although the emphasis of the study will be on economic growth, it is not entirely wrong to assume that sustained economic growth will lead to

development of some sort. This is important especially considered in the light that most developing countries consider economic growth to be essential for development.

Owing to the problems stipulated above, the state in developing countries, unlike that in developed countries, has assumed a central role, in not only promoting economic growth and development, but has directly engaged in economic activity. This is attributable to the fact that in many developing countries, only the state has the capacity and the legitimacy to master the resources required for such growth. Thus the state in assuming more than a regulatory role in its interaction with economic units has thus in effect rejected the practice of 'laissez faire', which characterised the period of rapid economic growth in the developed world.

The practice of 'laissez faire' which came to fruition in the 19th century rejected traditional, moral, religious and political limitations on economic activity.<sup>14</sup> The economic aspect of human life was thus taken to possess its own rules, derived not from politics or religion but inherent in its own nature. Economic activity was as a result left free to follow its own course. The role of the state was therefore restricted to those functions which

were regarded as the traditional functions of government, namely the provision of public services such as public utilities (drainage, water, gas, electricity etc), and the maintenance of law and order.<sup>15</sup> Though 'laissez faire' as was practised in the 19th century no longer exists in its original form in western countries today, it has however left its imprint as evidenced by certain traditions which are still held true in the western world. These traditions owe their existence to this period.

Among these traditions is the belief in the suitability of the mechanism of the free market for development, i.e. the state should not interfere with the operation of market forces.<sup>16</sup> Its role should be restricted to a regulatory one, such as in the case of a breach of contract. Thus commercial practice in these jurisdictions is largely devoid of enforceable prescriptive behaviour, an exception being only if such behaviour overtly impedes the operation of the free market such as unfair monopolistic practice. This regulatory function has expanded to encompass the regulation of public health, education, local government and municipals, labour and trade.

This regulatory form of government has not received an enthusiastic response in developing countries, they



have instead, emphasized the serious flaw of such a system. They have argued that the presumption of a free market, of individuals being free to bargain as they please is false, more so in developing countries, where most economic activity is dominated by large multinational corporations. No equality exists between an African labourer and a large multinational, as stated by lord Chancellor Northington two hundred years ago.

"Necessitous men are not, truly speaking free men"<sup>17</sup>.

Therefore to treat unequals as equals in the open market, is undoubtedly to ensure domination of the weak by the strong. Thus perpetuating injustice. This is a position which developing countries find unacceptable, more especially taking into consideration the fact that the stronger party is in most cases both foreign owned and controlled. This to them contradicts the notion of independence and self determination.

Developing countries have thus favoured the promotional role that the state can play, arguing that for development to occur, the state must actively pursue the expansion of the economy and engage in economic activity.<sup>18</sup> They point to the fact that even the liberal western democratic states when faced with a crisis have adopted a more

positive political economy<sup>19</sup>. A ready example being the Rooseveltian 'new Deal' in the United States of America during the depression of the 1930s<sup>20</sup>. They also point to the fact that in Britain and France, the state undertook substantial economic operations after the second world war<sup>21</sup>. In addition to this they point out that it is common practice in western liberal states for governments to protect some industries through tariffs, minimum price controls, and other forms of aid. The agricultural sector is one such area which is normally protected. Developing countries have argued that they are in a state of perpetual crisis and that only active participation by the state can hope to remedy this situation .

In this promotional role the law is but one tool which the state can use in attaining desired goals. By law here is meant, law as is promulgated by the state as opposed to custom. Law which has been described as the language of the state, sets out the perimeters within which human transactions can take place<sup>22</sup>. It can effectively be used to prescribe conduct. Further, the fact that it is the most available tool which the state can manipulate makes it particularly important in

the change inducement process.<sup>23</sup> This however is not to suggest that the law does not have its weaknesses and limitations. These limitations must be recognised if the law is to attain the desired objective of inducing change. The issue of using the law usually only comes into contention when a problem has been identified.<sup>24</sup> This may be a problem such as the migration to urban centres, of rural dwellers ( a problem which faces many developing countries), the state may then pass legislation which seeks to control this influx. But in so doing the state must take into consideration the various choices that an individual faced with such a law may make.

The choice that such an individual is likely to make is to a large extent determined by the constraints and resources of his physical and social environment, the rewards and punishments accruing from such choice, and his perceptions and tastes.<sup>25</sup> Therefore, law that is intended to induce change must seek to prescribe these choices. These choices are, as we have seen above determined by society, therefore for the law to be effective it has to conform to minimum social expectations.<sup>26</sup> The legal order therefore structures society

simultaneously with society's structuring of the legal order.

Undeniably the increase of state participation in various aspects of everyday human life has increased the delegation of state functions to secondary bodies involving decision making and the exercise of discretion. This has created a long loose chain of control between the primary legislative body, and whatever its declared intentions might have been for passing such law, and the secondary administrative body finally charged with the administration and implementation of such laws. This proliferation of delegation and discretion has subjected decision making to possible abuse. Such abuse may bring into operation certain considerations which may not have been foreseen by the primary agent.<sup>28</sup> They may include considerations personal to the decision maker such as his own self-interest or other irrational motives. Thus law intended to induce certain behaviour may fail as a result of this factor. It is therefore essential in assessing the effectiveness of law, whether it has achieved its objective, to take this factor into consideration it must be ascertained whether in its administration the law has adhered to its spirit of promulgation.

Whilst it is admitted that certain procedures and processes have been introduced by administrative law to

check abuses, and have to some extent been effective, its role however has been limited not only by the remedies it offers, but also by the fact that it is only by way of suit to a court of law that its effective operations is brought into effect. Thus many abuses may go unremedied because of either one of the following reasons, either because of the expense of instituting legal proceedings for the parties concerned, or because of ignorance either of the facts pertaining to the case, or the remedies that may be had by recourse to the courts.

An easy way of ascertaining whether the objective of a particular law has been achieved is by simply ascertaining government policy and objective in passing the law, then comparing such intention with the results that have in practice been achieved. The results may be obtained either by statistics or other empirical evidence. It must however not be imagined that all failures to attain objectives are attributable to the law, sometimes other non legal factors may be the cause of such failure. An example here may be cited of a country with a very poor economy, with few resources and bleak prospects for growth,

liberalising and offering numerous incentives in it investment law, and then expecting foreign investment to flow in. Social and economic realities have to be faced and their effect recognised before the law can prove to be a catalyst for growth.

## 2. TRADE AND DEVELOPMENT

Trade is of vital importance to developing countries. These countries being in the early stages of development, rely on trade i.e. imports for the inputs necessary for development, these being mainly capital and manufactured goods.<sup>29</sup> Their participation in international trade enables them to earn the foreign exchange necessary to purchase these developmental inputs.

Trade has from the earliest times been recognised as essential for growth and development. It has been predicated by the fact that countries differ in their resource endowments, their economic and social institutions and their capacities for growth and development.<sup>30</sup> Trade is beneficial to its participants, it enables nations to trade items which they possess or produce in large quantities (relative to their tastes or needs) in return for things they want more urgently.<sup>31</sup>

Various prominent theorists expounded theories on the benefits of trade, among them Adam Smith, David Ricardo, John Stuart Mill, Eli Hecksher and Bertil Ohlin.<sup>32</sup> They have all emphasised that by a country opening its economy to world trade and commerce, it not only invites the international transfer of goods, services, and financial resources, but also the developmental influences of the transfer of production technologies, consumption patterns, institutional and organisational arrangements, educational, health and social systems, and more general values, ideals and life styles of other societies.<sup>33</sup> These theorists have argued that trade is a viable engine of growth, as evidenced by the rapid development of the present day developed countries during the 19th Century, (more contemporary outward looking theorists have pointed to Taiwan and South Korea as being more recent examples of export led growth).<sup>34</sup>

The classical model of trade on which Adam Smith, John Stuart Mill and Ricardo based their argument, laid its emphasis on the international division of labour and comparative costs.<sup>35</sup> It was argued that the adoption of a productive system based on a country's advantage in comparative costs, offers that country the best possible gains from international trade. Therefore such country should adapt itself to the production of goods in which it has comparative advantage, and not in those in which it has none.

The neo classical model of trade on the other hand, (which is more commonly referred to as the Hecksher Ohlin model), places its emphasis on factor endowment.<sup>36</sup>

Stating that countries with an advantage brought about by factor endowment should model their productive system around that factor to ensure maximum gain from international trade. Both the classical and the neo classical trade models are based on certain major assumptions. These being inter alia,

- (i) That all productive resources are fixed in quantity and constant in quality across nations. They are fully employed and there are no movements, or mobility of productive factors between countries.<sup>37</sup>
- (ii) That the technology of production is fixed or similar and freely available to all nations. The spread of such technology works to the benefit of every nation.
- (iii) That within nations factors of production are perfectly mobile between different production activities, and the economy as a whole is characterised by the existence of perfect competition.



- (iv) That national governments play no role in international economic relations, so that trade is strictly carried out among many atomistic and anonymous producers seeking to minimise costs and maximise profits. International prices are therefore set by the forces of supply and demand.<sup>38</sup>

The fact that these assumptions are not valid in today's world had led to scepticism about the appropriateness of the classical and neo-classical models of trade in as far as economic development is concerned. It has been pointed out (in rebuttal of the assumptions) that;

- (i) The world economy is in a state of constant flux, factors of production are neither fixed nor immobile.
- (ii) Technology is rapidly changing with constant new and better developments, thus affecting not only comparative costs, but factor endowment as well. This technology is not freely available to all nations. It is legally protected by patents and trade marks, and can only be acquired at considerable cost.

- (iii) Perfect competition in its theoretical form as envisaged by the classical model hardly exists in any modern state. Monopolies and state intervention negate the operation of the free market.
- (iv) Governments today play an active role in trade, using many methods to regulate it such as tariffs, quotas, exchange control and other quantitative restrictions.

Developing countries' participation in the world economy has, and still is, limited to trading in primary commodities and minerals.<sup>41</sup> Exports of this nature account for 85.90 per cent of their total export earnings. A few manufactures and semi-manufactures account for the difference. International trade for these countries has not constituted a viable engine of growth. Developing countries aspirations has been thwarted by numerous problems, prominent amongst them being;

- (i) the prices for their primary products which have been extremely low, in comparison with spiraling high prices of capital goods and manufactures.<sup>42</sup>
- (ii) Protectionism in developing countries in as far as agricultural and manufactured products

are concerned.

- (iii) The increased share of services in the consumers budget, and
- (iv) The shift towards less material intensive products in manufacturing i.e. substitution of synthetics for natural materials.

The effect of the above factors has been to steadily erode the benefits which developing countries had previously received from international trade. The operation of these factors has been beyond the control of developing countries and has been brought about by the manipulation of the international system by developed countries. Therefore, for there to be any substantial improvement there has to be a major change in the developed countries. At present, however, there seems to be no likelihood of this happening. To compound this situation, developing countries are unable to bring pressure to bear on the developed countries to press for a more equitable world trade policy. This is mainly because of the fact that any attempt at harnessing their economic power for a common purpose is frustrated by a lack of both political and economic unity.

Developing countries action has therefore been limited to diplomatic pressure at international fora such as the United Nations, G.A.T.T. and the ACP-EEC Association. Concessions by developed countries at such fora have been few and far in between.

As a result outward looking strategies for development have lost popularity amongst developing countries. This is not by any means to suggest that they have discarded trade as a means of development. All it means is that less emphasis has been placed on trade as a strategy for development. Infact notwithstanding this disillusionment with outward looking policies, many developing countries still maintain export promotion policies. The emphasis has however increasingly turned to inward looking strategies for development.<sup>43</sup> However, what must be noted at the outset is that even these inward looking strategies have a component of international trade, the only difference being that in comparison with outward looking strategies, the component of international trade is relatively small.

Inward looking strategies owe their existence to the fact that developing countries have, and still continue to face adverse terms of trade. From the

colonial period they have been <sup>the</sup>/disadvantaged partner in the international division of labour. Developing countries have argued that they should be allowed to pursue policies which aim at increasing their effective participation in trade. That is they should be allowed to restructure their economies enabling them to turn away from being mere producers and exporters of raw materials, and importers of manufactured and capital goods from developed countries, to producers of manufactures and semi-manufactures. This in effect means that the developing countries should be allowed to establish their own industrial base.

This policy in order to be effective pre-supposes some form of protection by the state for the local infant industries. This protection may come in the form of import restrictions, such as import licensing, strict exchange control or protective tariffs and other government aids. The ultimate aim of this policy is to establish industries to produce locally, items of which the developing country concerned was previously an importer (i.e. import substitution).

Apart from substantial savings of foreign exchange which may be earned by a properly implemented policy,

import substitution can also benefit developing countries in the following ways:-

- (i) As the supply of foreign exchange in most developing countries is dependent upon traditional exports, which have experienced considerable variations in their earning during recent years. Import substitution will lessen the impact which fluctuations of foreign exchange receipts will have domestically.<sup>44</sup>
  
- (ii) With the rising tariff barriers and import restrictions, trading concerns both local and foreign may find it not only convenient but far cheaper to produce locally items which they may have been traditional importers of.<sup>45</sup>

To sum it all up, developing countries have argued that to seek to promote free trade by removing their trade barriers (which outward looking strategies demand), whilst elsewhere in the developed world, protectionism is on the upswing, is to subject their economies to dangerous pressures and increase dependency.

There are many arguments both for and against both strategies (inward looking and outward looking) and the extent to which they can contribute to economic development. Infact in other academic circles it has been argued that, it is not whether a country adopts an inward looking strategy or an outward looking strategy that will determine whether or not that country develops. Professor Streeten put this point clearly when summarising a Cambridge University Conference on Trade and Development.

"A curious paradox came out of the discussion (on the effects of trade on less developed countries inequalities). It seems that both inward looking, import substituting, protectionist, interventionist policies and outward-looking, market oriented, non-intervention at policies tend to increase market imperfections and monopolies, and reduce the demand for labour intensive processes, the latter because the market reward most those factors that are relatively scarce (capital, management, professional skills) and penalises those in abundant supply; and because the market strengthens the ability to accumulate of those who have against those who have not. But though it is paradoxical that both a protectionist distorted system of prices, interest rates, wages and exchange rates and a market determined one should increase inequalities there is no contradiction. It is plausible that within a certain social and political framework, both export-oriented market policies and import substitution - oriented, interventionist, distorting policies should aggravate inequalities, though one set may do this somewhat more than the other. Perhaps economists have been barking up the wrong tree when disputing which set of price policies contributes more to equality. In an inegalitarian power structure, both make for inequality, in an egalitarian power structure both may make for equality".<sup>46</sup>

Whatever the validity of any of these three arguments may be, is not for this work to ascertain. All that must be noted is that whatever strategy is adopted, external trade will be important. In an increasingly interdependent world, it would be difficult, if not impossible for a closed society pursuing a policy of autarky, to maintain development more especially if it was an under developed society . Trade therefore requires careful attention by respective governments to determine what role it should play in development aspirations.



1. R. B. Seidman; The State Law and Development  
London: Croom Helm 1978, p 56
2. M. P. Todaro; Economics For A Developing World  
London: Longman 1977, p 65 - 70
3. Todaro; Economics, p 65 - 70
4. Todaro; Economics, p 65 - 70
5. Todaro; Economics, p 65 - 70
6. L. W. Shannon; Undeveloped Arfas  
New York: Happer and Row 1975, p 1 - 1
7. Shannon; Undeveloped Arfas, p 1 - 12
8. T. Hayter; The Creation of World Poverty  
(An Alternative view to the  
Brant Report)  
London: Pluto Press, 1983, p 120 - 121
9. Todaro; Economics; p 65 - 70
10. Todaro; Economics; p 65 - 70
11. Todaro; Economics, p 65 - 70
12. Law and Development: The Future of Law and Development  
Research  
  
Report of the research advisory committee on law and  
development of the International Legal Centre  
Sweden: International Legal Centre. p 15
13. D. Colman; F. Nixon; Economics of Change in less  
Developed Countries  
Oxford: O Philip Allan Publisher,  
1978, p 1 - 14
14. E. H. Carr; The New Society  
London: Macmillan and Company,  
1956, p 40 - 60
15. Carr; New Society, p 40 - 60
16. G. D. Hitchner; W. H. Harbold; Modern Government (A  
Survey of Political Science)  
New York; Dodd Mead and Company, 1970
17. Seidman; Law and Development, p 18

18. Hitchner; Harbold Modern Government
19. Hitchner, Harbold Modern Government
20. Hitchner, Harbold Modern Government
21. Hitchner, Harbold Modern Government
22. B. A. Masodkar; Society State and the Law  
Bombay; N. M Tripath Ltd,  
1979 p 137
23. Seidman; Law and Development, p 55 - 66
24. Seidman; Law and Development, p 55 - 66
25. Seidman; Law and Development, p 55 - 66
26. Seidman; Law and Development, p 55 - 66
27. SEE - RV Commission for Racial Equality (1982) Q.B. 276
28. Hayter; World Poverty, p 66 - 71
29. R. Harrod; International Economics  
Cambridge: James Misbet and  
Co. Ltd 1963, p
30. Colman, Nixon; Economics of Change, p 79 - 80
31. Todaro; Economics, p 291
32. Todaro; Economics, p 291
33. (i) J. Browett; "The Newly Industrializing Countries  
and Radical Theories of Development"  
World Development Vol 13, No 7 1985  
p 789
- (ii) W. R. Cline; "Can the East Asian Model of  
Development be Generalised."  
World Development Vol 10, No 2  
1982 p 81
- (iii) G. Ranis; "Can the East Asian Model of  
Development be Generalised? A  
Comment" WORLD DEVELOPMENT VOL 13,  
No 4 1985

34. D. A. Snider; Introduction to International Economics  
Illinois: Richard D. Irwin Inc;  
1979, p 37 - 60
35. W. R. Allen; International Trade Theory-Hume  
to Ohlin  
New York: Random House, 1965, p 167
36. Todaro; Economics, p 301 - 304
37. Todaro; Economics, p 301 - 304
38. Todaro; Economics, p 301 - 304
39. Todaro; Economics, p 301 - 304
40. Todaro; Economics, p 301 - 304
41. J. T. Thoburn; Primary Commodity Exports and  
Economic Development  
London: John Wiley and Sons, 1977,  
p 3 - 15
42. Thoburn; Primary Exports, p 3 - 15
43. P. Streeten (ED); Trade Strategies for Development  
Papers of the ninth Cambridge  
Conference on Development problems  
London: MacMillan Press: 1973,  
p 38 - 43
44. P. B. Clark; Planning Import Substitution  
Amsterdam: North-Holland Publishing  
Co. 1970
45. Streeten (ED); Trade Strategies, p 7

CHAPTER TWO

ORIGINS OF THE LEGAL FRAMEWORK AND

THE DEVELOPMENT OF TRADE POLICY

AFTER INDEPENDENCE

1. INTRODUCTION

In this chapter we shall trace the origins of the legal framework governing Zambia's external trade. It will be noted that this examination will date back to well before independence, the reason being that Zambia like many other emergent Commonwealth States has relied heavily in its contemporary legislation on the British legislative tradition. It will become apparent that much of the existing legislation is simply an adaptation of legislation from colonial times, which itself was in turn an adaptation of legislation in force at the time in England. Further we shall also trace the development of trade policy after independence. Trade policy has had a great influence on the actual operation of the legal framework. Thus the effect of the legal framework on the operation of the trade regime has more or less depended on the prevailing policy. While it is true to state that the legal framework is itself a reflection of policy, as will be seen

many of its provisions are of a general nature, enabling the government to accommodate policy changes to suit circumstances which may change from time to time. This is particularly convenient in respect to trade policy whose content and effect is to a great extent determined by external factors. Policy sets out the government objectives, while the legal regime offers a means of achieving or facilitating the achievement of these objectives. In tracing the development policy we shall divide the study of the period after independence into two parts, 1964 to 1974 and 1975 to the present. The reason for this division will become apparent as the study progresses, however here it may be pointed out that, the first period marks a period of relative prosperity, whilst the second represents a period of economic recession necessitating a new approach in government policy to address the problems facing the economy.

## 2. THE LEGAL FRAMEWORK BEFORE INDEPENDENCE

Before the coming into being of the Federation of Rhodesia and Nyasaland, each of the three territories which joined to constitute the federation had legislation of their own governing their external trade. In Northern Rhodesia the principal legislation was:

- (i) The Trade and Supplies Ordinance
- (ii) The Control of Finance Ordinance
- (iii) The Exportation of Gold and Silver Ordinance
- (iv) The Customs Management Ordinance, and
- (v) The Customs and Excise Duties Ordinance

These Ordinances controlled the importation and exportation of goods and provided a means of exchange control. However, with the coming of Federation, the control of imports and exports, and exchange Control for all three territories became a Federal function. The Federal Government passed its own legislation to cover these areas. Repealing or amending existing ? legislation in the respective territories. It is important to consider briefly this Federal legislation as present day legislation derives most of its basic content from it.

#### I. CONTROL OF GOODS

The Control of Goods Act 1954, enabled the Governor General to provide by regulation for the control of imports into and exports from the Federation. Such authority could be delegated to a minister who would then exercise these powers by way of orders. The Minister of Commerce

and Industry of the Federation, was charged with the function of administering this Act. In presenting the Bill before the Federal Assembly, the Minister of Commerce and Industry, at the time, stated:

"..... this Bill seeks to give power to the Federal Government when it is necessary in the public interest to control imports and exports in and out of the federation, and the distribution and price within the federation of goods .... the federal government wishes to take over full responsibility for import and export controls at the earliest possible moment. This is necessary in order to ensure uniformity and to facilitate administrative arrangements. Import control of goods other than agricultural products, is mainly imposed for exchange control purposes as there is yet no federal exchange control law. This legislation will enable the government to take proper action and ensure that there is no hiatus.<sup>1</sup>"

It must be noted that the Act did not make a general prohibition (except by license) to the importation or exportation of goods into or from the territory. It merely stated that the Governor-General could confer such power on the Minister of Commerce and Industry who could then order such restriction. It must also be noted that this power to impose restrictions on imports and exports did not extend to agricultural commodities, nor certain medicinal substances and poisons.<sup>2</sup> On 1st April, 1954 Federal Regulations came into operation covering the

the Control of both exports and imports. The Control of Goods (Import and Export) (Commerce) Regulations prohibited firstly, the importation of any non-scheduled goods from any source, except under licence. This provision applied mostly to goods emanating from non-sterling area countries, its main aim was to control external payments, as at this time the Federation did not have any exchange, Control legislation.<sup>3</sup> However, certain other goods whatever the source were also prohibited, this was to protect local manufacturers and producers from far more established and efficient industries, and to encourage the setting up of local industries.<sup>4</sup>

Secondly, the Regulations also prohibited the exportation of certain goods except by way of licence. Two types of licences were introduced, the open general licence and the special licence. Certain scheduled goods falling under the open general licence category could be imported or exported without restriction, the granting of a licence was automatic. However certain other scheduled goods could only be imported or exported on the issuance of a specific licence stipulating quantities.<sup>6</sup> This also applied to goods emanating from non-sterling areas. It was the policy of the Federal government to restrict the use of import and export



control to a minimum, but exceptions were made for reason of security, orderly marketing and supply, protection of local industry from unfair trading and for development purposes ( the Infant Industry argument), health purposes, and strategic purposes.

But in so doing, the government could not disregard its international commitments and obligations, such as those under the General Agreement on Tariffs and Trade (G.A.T.T.) which advocates for free non discriminatory trade. Up to the dissolution of the federation in 1963, no major amendment was made to the Act, substantially altering its content, nor were any substantial changes brought about by regulation. Most of the regulations that were proclaimed merely sought to adjust the schedule to the Act by either adding to, or taking away from its content.

After the dissolution of the federation, provision was made for the continuance in force of this Act by the order of the Governor Under Government Notice No 1 of 1964.

## II. EXCHANGE CONTROL

As has been mentioned above, at the inception of the Federation, the territory did not have any exchange Control Legislation. As a result the Federal government initially exercised this function through the Southern Rhodesia Exchange Control Act of 1948, and to an extent Controlled payments for imports from non sterling areas through the Control of Goods Act 1954.<sup>8</sup> However later on in the same year (1954) an Exchange Control Bill was tabled before the Federal Assembly by the Minister of Finance. In presenting this Bill the Minister stated that, the introduction of exchange control was necessitated by the fact that the Federal territory was part of the sterling area, thus its whole exchange control and monetary system was connected not only with the reserves in the United Kingdom, but also with the reserves in exchange areas in the sterling area as a whole.<sup>9</sup> It was necessary therefore for the Federation to bring its exchange Control regime in uniformity with exchange control, not only with the United Kingdom, but also with any other country with which the United Kingdom has special arrangements.<sup>10</sup> The Minister stated the hope of the Federal Government that such Control would only be temporary and would in future,

with the further strengthening of the currency be done away with.<sup>11</sup>

The Act which was passed on the 17th of September, 1954 was similar in many respects to the United Kingdom Exchange Control Act. This Act conferred power on the Minister of Finance to impose restrictions in respect of gold, gold coins, currency, payments, securities, debts and the import and export of goods. The Act contained a general prohibition against any person (except with the permission of the Minister) making, or preparing to make any payment outside the Federation or for the credit of a person resident outside the scheduled territories. Sections fourteen and fifteen of the Act prohibited all imports and exports of currency from or into the Federation (except with the permission of the Minister). Sections seventeen and eighteen contained further restrictions. Under these sections the Minister was empowered at his discretion to firstly control the importation into or exportation from the federation of any goods, a power of prohibition was conferred by this section, secondly direct that such goods be traded only with the necessary permit, and thirdly he could attach conditions to the issuance of such permit and restrict its duration.

The Minister of Finance commenting on the provision of sections seventeen and eighteen, acknowledged that the control of imports and exports was normally the prerogative of the Minister in charge of Commerce, but that such control by the Minister of Finance, under the Exchange Control Act was permissible where it was imposed to forestall exchange control difficulties.<sup>12</sup> He emphasised that the provisions under the Act would not be used for the purpose of stopping imports in order to protect industries within the federation.<sup>13</sup> He went on to state that this power was strictly for the Minister of Commerce, but that even he would not use his powers for such purposes as it was against the Government's policy.<sup>14</sup>

In tabling the Bill before the Assembly the Finance Minister acknowledged the extensiveness of the powers to be granted there-under. The Act included a provision which hitherto had not existed in any of the repealed Exchange Control Acts and Ordinances of the three territories. The Minister was granted for the first time extra-territorial powers, to regulate acts done within the Federation which were in association with acts transacted outside the Federation.<sup>15</sup> This was done in order to avoid evasion of the Control measures by residents operating outside the federation who had a tendency of

keeping their foreign exchange outside the Federation.<sup>16</sup> This Act therefore both tightened and extended the scope of exchange control.

Later in 1961 the Federal Government found it necessary to introduce further exchange Control legislation. The new Act, the Currency and Exchange Control (Temporary) Act, further extended the scope of exchange control. It differed from the Exchange Control Act of 1954 in that unlike the 1954 Act which provided control over currencies other than sterling area currencies, it sought to introduce exchange control in dealings between the federation and other sterling area countries.<sup>17</sup> It was mainly introduced to curb the flight of capital from the Federation to other sterling areas, especially the United Kingdom. This situation was brought about by political uncertainty. The growing influence of the nationalist movements had created a volatile political climate. The government moved to restrict the ability of residents to repatriate capital. This however did not restrict the ability of residents to purchase imports as the restriction did not extend to current payments.<sup>19</sup> Non-residents however were not affected by the operation of this Act, and upon production of proof of non-resident status, they were free to transfer their capital, interest,

dividends and other current receipts without restriction.<sup>20</sup>

The Minister of Finance in presenting the Currency and Exchange Control Bill before the Assembly, regretted the government action. He stated that whilst there had been a world wide trend towards liberalisation in as far as exchange control was concerned, the government found itself influenced by events to do otherwise.<sup>21</sup> He went on to say:

"The exchange Control measures which the government wishes to introduce are intended to be of relatively short duration. It follows that any major amendments to the present Exchange Control Act would confer a permanency to exchange control, a permanency which, as I have already said, the government does not seek. Furthermore, exchange control should be a flexible instrument particularly over a short-term period. This flexibility is best achieved through regulation. The reason why flexibility is absolutely necessary is that the control must be operated in relation to the state of our foreign reserves. If these are healthy as I hope they will always be, the Control can obviously be operated with much freedom, if we have, for any reason, to safeguard our reserves more rigorously, we must tighten the Control.<sup>22</sup>"

The Act which was passed on the 23rd of February, 1961 empowered the Governor-General to make regulations for the peace, order and good government of the Federation. He could thus control and restrict;

- (a) imports and exports,
- (b) exchange control, and
- (c) currency transactions.

The Act made provision for the delegation of these functions to any person or class of persons. This Act was initially to be valid for only one year, up to the 24th February, 1962. However, at the end of this period, the Act was amended extending its life for a further one year up to 24th February, 1963.

### III CUSTOMS TARIFFS

Similarly with the advent of Federation the Federal Government had to assume the responsibility of levying customs tariffs which had hitherto been the responsibility of the respective territorial governments. The Federal government faced a difficult task in integrating the three tariff levying structures into one system to be administered by a Federal Controller of Customs. This task was complicated not only by the fact that the three territories had different tariff systems, but also by the fact that they had to fulfil international obligations arising from treaties. Thus upon the coming into being of the federation, the Federal government initially exercised the function of levying duties through the various pieces of legislation existing in the three

territories. The Federal government was so empowered by the Territorial Laws Amendment Act No 6, 1954. This Act empowered the Governor-General to legislate by way of orders on matters falling within the legislative competence of the federal legislature. However, to enable the Federal government to adequately assume the function of levying customs and other duties, the Customs and Excise Duties Act No 11 of 1954 was passed. This Act empowered the Federal government to impose or suspend the Collection of Customs and excise duties. However in the following year the Federal Government succeeded in instituting a unitary system of levying Customs tariffs for the whole Federal territory. The Customs and Excise Act No 16 came into effect in July 1955, repealing all the interim legislation. This Act empowered the Controller of Customs and Excise to, collect and manage customs duties, to regulate, control or prohibit the importation or exportation of specified goods and the conclusion of customs and trade agreements with other countries. Under this Act the controller exercised considerable powers, in addition to the powers stipulated above, he could designate places through which alone goods could be imported or exported, prohibit or bond the importation of goods into the federation without



entry permit stipulating that all duties had been paid, prohibit the exportation of goods unless stipulated formalities had been complied with, and institute dumping duties.

- ii) Prohibit or bond the importation into the Federation of goods without an entry permit stipulating that all duties imposed by the law had been paid.
- iii) Prohibit the exportation of goods unless a bill of entry had been submitted to the appropriate officer, stipulating particulars of the goods, their destination and such other information as the officer may require, and
- iv) Institute dumping duties.

Further the Act made illegal, the importation of certain goods, amongst them being those classified as indecent or objectionable, penitentiary made goods, counterfeit coins, dust tobacco and certain noxious beverages.

The list was not exhaustible, the controller could add to it by way of statutory instruments.

The Customs and Excise Act introduced a four column tariff system applicable to foreign goods.

1. COLUMN A - was applicable to goods originating in foreign countries which were not accorded most favoured nation treatment as a result of the General Agreement on Tariffs and Trade (G.A.T.T.) or any other agreement.
2. COLUMN B - was applicable to goods originating in foreign countries which were entitled to most favoured nation terms.
3. COLUMN C - was applicable to the fully self-governing countries of the British Commonwealth, excluding the United Kingdom or any territory administered by the United Kingdom Government under the trusteeship system of the United Nations, and to the Republic of Ireland.
4. COLUMN D - applicable to the United Kingdom and to the British Colonies, protectorates and protected states, including any territory administered by the government of any country (other than those to which

column C is applicable) of the British Commonwealth under the trusteeship system of the United Nations.

Broadly the rates of duty in the Federal tariff fell into three categories:

- i) Those on Industrial, agricultural and mining equipment and raw materials, which were set at a low level or were duty free.
- ii) Those which were set at a higher level for revenue producing reasons and which were mainly confined to goods of a consumer nature, and
- iii) Those which were set at a level sufficient to give protection to local industry.<sup>23</sup>

Most of the rates of duty were on advalorem basis, but specific rates on weight and quantity were not infrequent.<sup>24</sup>

On the dissolution of the Federation in 1963 it was not possible for the Northern Rhodesia Government to enact new Customs Regulations, therefore the Federal Customs and Excise Act of 1955 together with subsidiary legislation, suitably amended was adopted and given legal effect by various Modification and adaptation regulations

promulgated towards the end of 1963.<sup>25</sup> In addition, it was necessary to amend the Federal Act relating to the procedure for imposing or amending tariffs and to make transitional provisions in regard to seized goods, and over and under paid duty, these amendments were incorporated into the Customs and Excise Act by virtue of Ordinance No. 66 of 1963.<sup>26</sup>

As a result of the granting of Independence to Northern Rhodesia, further amendments to the Customs and Excise Act became necessary and these were brought into effect by the Republic of Zambia (Modification and Adaptations) (Customs and Excise) Order 1965.

## 3. THE LEGAL FRAMEWORK AFTER INDEPENDENCE

With the granting of independence, a new legal order came into existence. New not in its content, but in the source from which it drew its legal validity. The new Government realising that it was not possible for it to enact completely new legislation, adopted and modified legislation existing before independence to suit the territory's new status.

### I. CONTROL OF GOODS

At independence, the Control of Goods Act 1954 continued in force as an applied Act by virtue of

the provisions of the Federation of Rhodesia and Nyasaland (Dissolution) order in Council 1963, as read with section four of the Zambia Independence Order 1964<sup>27</sup>. The 1954 Act therefore in its substantive provisions essentially remained the same. The power to administer the Act was initially vested in the President but he later delegated this function to the Minister of Commerce and Industry by statutory Instrument No 383 of 1965. The President, exercising the powers conferred on him by sections four and five of the 1954 Act, empowered the Minister to issue licences or make orders either prohibiting or restricting the importation or exportation of any goods into or from Zambia. This order which applied to commercial goods repealed similar regulations published in Federal Government Notice No 300 of 1958. Pursuant to this power, the Minister of Commerce issued orders in statutory instrument No 384 of 1965 empowering him to issue open general import and export licences by notice in the Government Gazette. These regulations further made provision for the issuance of Special licences for goods not covered by the general open licences. Under the same statutory instrument the Minister of Commerce delegated his power to issue licences to the Director of Game and Fisheries, who was empowered to issue import and export licences for certain scheduled goods falling

under his department (such as wild life and game trophies).

The power to regulate the import and export of agricultural products was also delegated to the appropriate authority. The President by Statutory Instrument No 43 of 1965 delegated his power to control the import and export of agricultural products to the Minister of Agriculture. The Minister was empowered by this Statutory Instrument to issue permits imposing terms and conditions to which agricultural products imported into, or exported from Zambia had to adhere to. In addition the Minister could prohibit totally the importation or exportation of any scheduled agricultural product. This schedule initially contained thirty six items, ranging from items such as bees wax, carcasses, meat products and dairy produce, to products such as fruits, hay, grain fodder and canned products.

In practice, these Regulations in their substantive provisions usually remain the same, amendments are usually only made to their schedules, by either adding to, or taking away from their schedules depending on the prevailing policy.

## II EXCHANGE CONTROL

At independence the transitional arrangements that were made for the continuance of exchange control were different from those discussed above. After the dissolution of the Federation exchange control legislation, namely the Exchange Control Act of 1954 and the Currency and Exchange Control (Temporary) Act of 1961 ceased to have effect. The Federation of Rhodesia and Nyasaland (Dissolution) Order in Council 1963, made provision for the establishment of a committee of Ministers, constituted by the Minister of Treasury of Southern Rhodesia, the Minister of Finance of Northern Rhodesia and the Minister of Finance of Nyasaland. This Committee was to exercise the functions previously exercised by the Governor-General and the Minister of Finance of the Federation in relation to exchange control. This committee was to exercise this function up to no further than the 1st July, 1965.

Zambia's Exchange Control Act came into operation on 1st June, 1965. It contained eight sections, which gave the Minister of Finance the power to institute exchange control. The Minister in presenting the Bill before Parliament stated that, as the period of exchange control management by the committee of Ministers was coming to an end, it was necessary that Zambia enact

its own exchange control legislation to fill the void that would be created.<sup>28</sup> The Minister went on to say that, notwithstanding the country's healthy balance of payments position, prudence alone called for a regulation of international capital flows until such a time as would no longer be necessary to retain exchange control.<sup>29</sup> He stated that exchange control regulations would be under constant review and would be gradually relaxed.<sup>30</sup>

The Exchange Control Act, in its preamble stated that it was an Act to confer powers and impose duties and restrictions in relation to gold, currency, securities, exchange transactions, payments, debts and the import, export, transfer and settlement of property, and for purposes connected with the matters aforesaid. Section three empowered the minister to make regulations relating directly or indirectly to the control of imports, the Minister can prohibit or restrict the importation into or exportation from Zambia of any goods. Regulations made by the Minister immediately after the passing of the Act prohibited the exportation from Zambia of any notes which were legal tender, any foreign currency, any certificate of title to securities, and any bill of exchange or promissory note expressed in terms of foreign exchange.



Further, authorisation for the export of any goods was made subject to the certificate of the controller of customs and excise. Before such certification could be granted, the controller had to be satisfied that;

- i) payment for the goods had been made, or was to be made in a period not exceeding six months, to a person resident in Zambia. The controller had to be satisfied that the amount that had been paid, or was to be paid, in return for the goods was in all circumstances satisfactory and in the interest of Zambia and
- ii) that in the case of gifts, the goods to be conveyed represented genuine gifts and that the value of the gifts did not exceed fifty pounds.

### III CUSTOMS TARIFF

At the time of Independence, the Customs and Excise Act 1955 continued to be of legal validity as an applied Act by virtue of the provisions of the Federation of Rhodesia and Nyasaland (Dissolution) Order in Council 1963, as read with section four of the Zambia Independence Order 1964. Various amendments

of minor importance were made to the schedule and Regulations. The Republic of Zambia (modification and Adaptations) (Customs and Excise) Order 1965 merely substituted names and titles to suit the new status of the independent nation. The Federal four column Tariff structure was adopted by the new government, although a number of tariff items, primarily of a protective nature and having no application to the new nation was eliminated or simplified in nomenclature.<sup>31</sup> The suspension which had been introduced at the end of the Federation and which had hitherto applied to goods originating in Southern Rhodesia and Malawi was lifted.<sup>32</sup> These goods became dutiable under column D. However, following the unilateral Declaration of Independence (U.D.I) in Rhodesia on 13th November, 1965, preferences were withdrawn from goods originating in that country and thereafter accorded column B treatment.<sup>33</sup>

Two important pieces of legislation were passed on 3rd January 1966. The Customs and Excise (Specified Country Content) (Revocation) Order 1966 and the Customs and Excise (Suspension) Regulations, 1966 repealed the all four column tariff assessment structure and introduced a simplified single column tariff structure. These amendments effectively abolished the preferential rates of duty previously enjoyed by Commonwealth and

certain other favoured countries. (This sweeping move was made possible by the fact that the new government was not bound by an international agreements such as the G.A.T.T).

#### 4. TRADE POLICY AFTER INDEPENDENCE

As has been illustrated above, the Government at Independence, had at its disposal the legal means to determine the development of the trade regime. This fact, coupled with the declared intention of the government, to promote an egalitarian society, through equitable economic growth and development, meant that the trade policies which the government would formulate would have the attainment of this goal as the ultimate objective. The legal framework, (notwithstanding the influence of other developmental determinants be they social, economic or political) would provide a means of attaining this objective. However, it must be noted that the mere promulgation of policy is not in itself enough to ensure the fulfilment of intended objectives. Policy formulation is only the first step, it must be followed by actual implementation. Implementation usually consists the more complex aspect of the development process. Thus notwithstanding the existence of clear policy guidelines and the means

to implement policy objectives, without a determined effort by the government, and its agents, to facilitate the implementation of such policy, it is bound to fail, whatever its good intentions may be.

I THE FIRST DECADE 1964 - 1974

At Independence, the new government inherited a mono, Copper based economy. An economy which had strong ties to the economies of Southern Rhodesia and South Africa.<sup>34</sup> The Industry that existed in Zambia was mainly linked to mining. The manufacturing sector was small and many manufactured items were imported from Southern Rhodesia and South Africa. The few manufacturing concerns that existed in Zambia were often the subsidiaries of Southern Rhodesia and South African concerns, and whose operations depended on imported inputs from outside Zambia.<sup>35</sup> Further these concerns engaged only in the manufacture of consumer products for internal consumption.

Copper which accounted for over 90 percent of foreign exchange earnings was at that time fetching a high price on international markets and Zambia had a healthy balance of payments position. Thus for a

time the government was able to maintain this economic structure. However increasing demands, a result of Independence necessitated government expenditure in health, education, housing and other social sectors. This steadily began to diminish the balance of payments surplus. This finally came to head in 1965 when Southern Rhodesia Unilaterally declared independence (U.D.I.) An international boycott was called for. As a result all those subsidiaries of firms based in Southern Rhodesia who could no longer obtain inputs from their usual source, and who could not be persuaded to look elsewhere for inputs and use new trade routes, wound up their operations, forcing the governmental to import whole the items such industries had produced.<sup>36</sup> This economic pressure made it necessary for the government to come up with a comprehensive economic plan stating its policy objectives. Thus the First National Development Plan 1966 - 1970 was formulated.<sup>37</sup> This plan appreciated the need for economic restructuring and diversification, to enable Zambia to establish its own industrial base. It stated among its objectives the governments intention to:

- i) Diversify the economy so that the Copper industry was not the only main employer in the economy, and so that a greater proportion of domestic demand was satisfied by domestic production from a large industrial base.
- ii) Create industries which would substitute locally produced products for many of those imported from Southern Africa.

It was envisaged in this plan that industrialization would make a growing contribution to the balance of payments position over the period 1970 - 1980 both by import substitution and by developing an export capacity in the new industries. The role of the government was stated to be, to provide encouragement and assistance to the private industrial sector and in certain cases, to undertake direct responsibilities in establishing new industries. It was acknowledged in the plan that import controls would have to be introduced if balance of payment problems were to be avoided by 1970.

Thus import substitution in Zambia was spurred by political events.<sup>38</sup> These events in a way determined the nature of the process of import substitution. Since the goods that were hitherto imported were consumer and light intermediate goods, substitution

began in these sectors. This initiated a process of uneven growth, starting with the sector which has the least linkage effects (namely consumption goods) and ending up with the sector which has the most (namely basic goods).<sup>39</sup> Thus import controls were introduced to facilitate the formation of local industry. However with the favourable international copper price at the time and a favourable balance of payments position, the control was not very tight and importers could still import a number of commodities which were intended to be produced by substitution industry, or were produced by such industry. Nevertheless in the initial years import substitution industry accounted for a 55 percent increase in the supply of manufactured output in Zambia.<sup>40</sup>

However, the pace of substitution did not match government expectation. It became apparent that private companies were not anxious to increase the pace of import substitution despite government encouragement and offer of protection. This factor played a major role in influencing the decision by the government to increase its participation in economic matters by nationalising a number of foreign concerns in 1968. The Mulungushi reforms, as this decision came to be

known, made the Zambian government a major entrepreneur in the country's industrial sector.

At the expiry of the first National Development Plan, the government formulated a second plan to stretch from 1972 to 1976. The Second National Development Plan acknowledged that the first plan had concided with a period of rising copper prices on the world markets and had thus helped in the realisation of high export earnings during that period.<sup>41</sup> The second plan sought to continue with the restructuring of the economy and the correction of imbalances process initiated under the first plan. It stated as one of its objectives the promotion of substitution industry utilising local raw materials, particularly those supplied by domestic agriculture and mining. It was pointed out in the plan that compared to other developing countries Zambia imported more goods and services from abroad to meet her domestic expenditure. Thus to strengthen and safeguard the nations balance of payments, the plan pointed out that it was necessary to keep imports of consumer, and especially luxury goods within desirable limits. The plan for the first time also stated that trade policy should focus on facilitating increased production in the non-traditional export sector to enable export diversification to take place.



It was suggested that export promotion be undertaken firstly domestically by improving the quality and competitiveness of local products, and secondly externally by means of shows, exhibitions, sales missions to foreign countries and the provision of proper marketing information to exporters. However despite the declared intention of promoting exports of non traditional products, export promotion as a strategy for economic growth was ancillary to the main objective of import substitution, as evidenced by the proposal in the plan to review the tariff structure which happened to be lower than that obtaining in neighbouring countries with the aim of enhancing balance of payments stability.<sup>42</sup> In their absolute sense the two strategies, i.e. import substitution and export promotion, cannot co-exist simultaneously.

Nevertheless despite the government objectives the momentum of substitution could not be sustained, and by 1975 the process had more or less come to a halt. A major factor contributing to this decline was the heavy dependence of the substitution industries on imported inputs. The decline in foreign exchange earnings, brought about by a drop in copper prices and a rise in the price of oil, necessitated a drop in the capacity of most of these

substitution industries. Most plants operated at 50 per cent or less of the installed capacity, and the output declined by 3.9 per cent during 1974-1975.<sup>43</sup>

## II THE SECOND DECADE 1975 - 1985

Zambia entered the second decade facing an economic crisis. In 1975 export receipts fell by 40 per cent, the balance of payments deficit was 30 per cent of Gross Domestic Product, government revenue from minerals fell to less than one fifth of its previous level, and the budget (which was in surplus in 1974) moved to a deficit, equivalent to 24 per cent of Gross domestic product.<sup>44</sup> The government therefore initiated a program to remedy this situation. The four main issues which it had to tackle were:

- i) the critical shortage of foreign exchange
- ii) the massive under utilisation of capacity
- iii) the excess level of capital intensity, and
- iv) the excessive dependence on copper exports.<sup>45</sup>

Substitution industry was the hardest hit by this economic decline as no less than 70 per cent of industrial output was based on imported raw materials.<sup>46</sup> Despite this the government did not make any substantial change in trade policy. However, a major piece of legislation the Industrial Development Act offered

a number of incentives to investors proposing to establish export industries of non-traditional products.<sup>47</sup> This indicated a slight shift in emphasis from substitution policy. This measure was further augmented by the creation by a cabinet decision of the Export Promotion Council the following year, whose function it was to promote and stimulate exports.

In 1979 the Third National Development Plan 1979-1983 was formulated.<sup>48</sup> This plan contained the first major policy objectives since the economic crisis. It therefore sought to address itself to the resolution of some of the problems facing the economy. The objectives of this plan were, firstly, to diversify the economic structure in order to reduce the economy's dependence on copper, and to undertake a crash economic programme of promoting agriculture and industry, based on the use of local raw materials, and the establishment of the necessary capital goods industries to satisfy domestic demand and generate exportable surpluses. In respect to manufacturing the government wanted this sector to play a more active role in both export promotion and import substitution, than it had in the past. It was the governments

intention to promote import substitution and export orientatinn, by the establishment of industries which were based on the maximum use of local agricultural and mineral raw materials.

Secondly the plan intended to maintain a tight import control policy. It was observed in the plan that previous experience in the administration of import controls, initially introduced in 1972, had showed that there was a need for the government to evolve a stable import policy geared to the essential requirements of the economy. Periodic changes in import policy had given rise to uncertainty and speculation, resulting in excessive imports as in 1974 and 1975. The plan pointed out that the import control mechanism should be viewed as a major policy instrument for the implementation of the country's development programme. It was further pointed out that, as import controls and restrictions often created a closed market which supported import substitution, there was a need to guard against indiscriminate import substitution particularly because of the high costs inherent in such import substitution. It was thus pointed out that the third national development plan would assign a high priority for import substitution to only those industries which

were based on domestic inputs or had a large value added element or where such industries because of linkages fit into the development strategy of ensuring self reliance in basic and essential commodities of daily use, and as such lay the basis for future industrial development through setting up of capital goods and intermediate industries.

Finally as a means of diversifying the economy away from a dependence on copper exports, the plan proposed to look into the possibilities of joint ventures through regional co-operation, and export promotion. In as far as export promotion was concerned the plan proposed the introduction of incentives such as, priority for exporters in the allotment of import quotas for industrial inputs and capital goods, fiscal incentives (e.g. tax rebates in respect of expenditure on development of export market, liberal tax treatment of profits accruing from exports and draw backs in respect of customs excise and sales tax) and the provision of credit at concessional rates for financing exports. It was also pointed out that there was a need to strengthen the operations of the export promotion council to support the country's export endeavour.

In its implementation the Third National Development Plan encountered tremendous difficulties and by the end of 1983 it had become apparent that the plan was not going to attain its objectives.<sup>49</sup> The factors that contributed to this were, firstly, the growing scarcity of investment resources both domestic and foreign. Secondly the prolonged world economic recession generated and deepened by the oil price increases between 1973 - 1974 and 1979-1980, kept copper prices depressed all through the plan period, and as a result Zambia faced a serious foreign exchange constraint.<sup>50</sup>

This deterioration of the country's terms of trade with the rest of the world adversely affected the country's capacity to accelerate adequately the pace of development of the domestic economy. The Foreign exchange constraint necessitated the restriction of imports. Thus the volume of imports needed for the maintenance of full capacity of production as well as for fresh investment was drastically cut down. However not even these restrictions could stop the country from accumulating trade payments arrears. Further the devaluation of the Kwacha in January 1983 and its floatation in July the same year led to an increase in the prices of all imported raw materials, production inputs such as oil, fertilisers, pesticides etc, as well as capital

equipment and machinery.<sup>51</sup> The devaluation however boosted the competitiveness of non traditional exports but due to their small volume, they did not help offset the country's balance of payments deficit problem.

Thus since the end of the period that was covered by the plan the government has charged itself with the task of drawing up a new plan to implement policies that will attempt to overcome the problems faced by the third plan and resolve some of the economic problems facing the country. It is in this light therefore that the government has formulated guidelines to help it in formulating the fourth National development plan.<sup>52</sup> The government has stated that the fourth plan must be formulated within the framework of the United National Independence Party Constitution, its document on national policies for the decade 1985 - 1995, and all the pertinent policies enunciated in the President's speeches and in the resolutions of the party's general conferences and the national council meetings.<sup>53</sup> The policy guidelines contained in these pronouncements state the party's overall objective of accomplishing the transition of the state from capitalism to humanism through socialism. The economic programme then lays down the following as the party's economic objectives:

- i) To pursue a course of economic self reliance to lessen chances of external manipulations.
- ii) To achieve the inter-dependence and integration of economic sectors and their respective production units. Local processing of local products including minerals must be encouraged
- iii) Re orientation of investment pattern to help in the restructuring and diversification of the economy. A more effective incentive programme should be implemented.
- iv) A greater promotion of genuine import substitution and the stimulation and diversification of exports, export routes and trade partners.<sup>54</sup>

Therefore the fourth National Development Plan when it is formulated will be expected to facilitate the attainment of these objectives. However as will become evident later in the study, the fulfilment of some of these objectives has already been frustrated by the implementation by the government of an economic austerity programme in October 1985. However it is interesting to note that the unchanged theme in all the plans has been the government recognition of the need to restructure and diversify the economy. However its implementation has been far from satisfactory.



The reason for this may be due to the non availability of financial resources to uphold the economic structure. However, presently, with financial resources at an all time low, the time may have come for the government to make a serious attempt to implement development plan objectives and make realistic forecasts. As has been aptly put by the President, 'Zambia must diversity or perish.'<sup>55</sup>

REFERENCES

1. Federation of Rhodesia and Nyasaland, Federal Assembly.  
DEBATES (10th March 1954)
2. H. W. Woodruff; The Federation of Rhodesia and Nyasaland (Economic and Commercial Conditions in the Federation of Rhodesia and Nyasaland) London 1954 p 57 - 59
3. Woodruff; Federation of Rhodesia and Nyasaland. p 57 - 59
4. Federation of Rhodesia and Nyasaland, Report of the Secretary to the Ministry of Commerce and Industry, 1961 p 70
5. F. R. N; Report Secretary Commerce and Industry p 70
6. F. R. N; Report Secretary Commerce and Industry p 70
7. F. R. N; Report Secretary Commerce and Industry Appendix E
8. Woodruff; Federation of Rhodesia and Nyasaland p 57 - 59
9. Federation of Rhodesia and Nyasaland Federal Assembly.  
Debates (28th July, 1954)  
Coll' 1876
10. F. R. N; Assembly Debates  
28th July 1954 Coll 1876
11. F. R. N; Assembly Debates  
28th July 1954 Coll 1876
12. F. R. N; Assembly Debates  
28th July 1954 Coll 1880

13. F. R. N; Assembly Debates  
28th July 1954 Coll 1880
14. F. R. N; Assembly Debates  
28th July 1954 Coll 1880
15. F. R. N; Assembly Debates  
28th July 1954 Coll 1877
16. F. R. N; Assembly Debates  
28th July 1954 Coll 1877 - 78
17. Federation of Rhodesia and Nyasaland Federal Assembly Debates 24th February 1961  
Coll 4126
18. F. R. N; Assembly Debates  
24th February 1961 Coll 4128
19. F. R. N; Assembly Debates  
24th February 1961 Coll 4130
20. F. R. N; Assembly Debates  
24th February 1961 Coll 4129
21. F. R. S; Assembly Debates  
24th February 1961 Coll 4126
22. F. R. N; Assembly Debates  
24th February 1961 Coll 4126
23. Federation of Rhodesia and Nyasaland  
Report of the Controller of Customs and Excise  
(For the Period) 1st April 1954 - 30th June 1959 p 2
24. F. R. N; Report of Controller of Customs p 3
25. Government of the Republic of Zambia.  
Report of the Controller of Customs and Excise  
(For the period) 1st January 1965 - 30 June 1966  
Ministry of Finance: Lusaka. p 2

26. G.R.Z. Report of Controller of Customs p2
27. An applied Act, meaning an enactment of the legislature of the former Federation of Rhodesia and Nyasaland, in force in the Republic by virtue of the provisions of the Federation of Rhodesia and Nyasaland (Dissolution) Order in Council 1963
28. Zambia, National Assembly, Debates (14th December - 18th December 1964) Coll 113
29. Zambia; Assembly Debates 14th December - 18th December 1964 Coll 114
30. Zambia; Assembly Debates 14th Dec - 18th Dec 1964 Coll 115 Coll 115
31. Government of the Republic of Zambia  
Report of the Controller of Customs and Excise  
1st January 1964 - 30th June 1965  
Ministry of Finance, Lusaka p2
32. G.R.Z. Report of the Controller p 2
33. G.R.Z. Report of the Controller p 2
34. G.R.Z. First National Development Plan 1966 - 1970  
Government Printer, July 1966 Lusaka
35. V. Seshamani & P. Samanta; Growth of the Non-Copper (Manufacturing) Sector in Zambia.  
Lusaka UNZA, B.E.S., July 1985
36. G.R.Z. First Development Plan
37. G.R.Z. First Development Plan
38. Seshamani & Samanta; Growth of Non Copper Sector
39. Seshamani & Samanta; Growth of Non Copper Sector

40. Seshamani & Samanta; Growth of Non Copper Sector
41. G.R.Z. Second National Development Plan 1972-1976  
Government Printer, December 1971 Lusaka p 7
42. G.R.Z. Second Development Plan p 48
43. R. Chisupa; Strategy for Industrial Development in  
the National Development Plans  
Business and Economics Association Journal  
Vol 3 June 1978 - B.E.S. UNZA
44. G.R.Z. Restructuring Amidst Crisis - 1984
45. G.R.Z. Restructuring Amidst Crisis
46. Chisupa; Strategy for Development
47. Industrial Development Act 1977  
Laws of the Republic of Zambia
48. G.R.Z; Third National Development Plan 1979-1983  
Government Printer 1979 Lusaka, p 21
49. G.R.Z; Guidelines for the Formulation of the fourth  
National Development Plan  
Government Printer March 1985 Lusaka. p 1 - 3
50. G.R.Z; Guidelines Fourth Plan p 1 - 3
51. G.R.Z; Guidelines Fourth Plan p 1 - 3
52. G.R.Z; Guidelines Fourth Plan p 1 - 3
53. G.R.Z; Guidelines Fourth Plan p 4
54. G.R.Z; Guidelines Fourth Plan p 5
55. African Business June 1985 No 82  
Zambia Still Haunted by Copper Dependence

CHAPTER THREE

THE TRADE REGIME

1. INTRODUCTION

As has already been pointed out, the economic decline, evidenced by the fall in exports and imports, and revenue, has resulted in a decline in the public investment program.<sup>1</sup> G.D.P. per capita in constant 1970 Kwacha declined by about 25 per cent between 1974 and 1983.<sup>2</sup> This economic climate has necessitated a new approach to economic development by the government. To stem this decline the government has embarked on an economic austerity programme designed to transform the economy for a future in which copper and mineral revenues (which presently account for 95 per cent of foreign earnings), will play a less significant role. This in the main involves the pursuance of policies which will revamp the performance of the agricultural and manufacturing sectors, encouraging them to play a more prominent role in foreign trade. To facilitate this transformation, the government has moved to shift its approach to development and economic growth, from Central Control, which had been characterised by the transfer of resources to industry both directly through

the budget and indirectly through the incentive system as determined mainly by tariffs, quantitative trade restrictions, price control and exchange rate management, to a greater reliance on market forces for the allocation of resources, and the engendering of a structure of incentives which is uniform among producing sectors and neutral with respect to promotion of exports and import substitutes.<sup>3</sup>

Trade policy, more especially its implementation has an important role to play in this economic transformation more especially bearing in mind the fact that, the manufacturing and agricultural sector to which Zambia is looking for economic diversification are dependent on imported inputs and spare parts. This in effect means that, the foreign exchange constraint that has affected other sectors of the economy has also affected the ability of many manufacturing and agricultural concerns to operate at full capacity. Therefore for the austerity programme to succeed, there has to be a pursuance of import and export policy, and exchange control policy that will facilitate the smooth operation of those sectors, to which the government is looking to lessen the single product dependence of the Zambian economy.

In this chapter, therefore, we shall examine the current legal framework within which exporters and importers have to operate. We shall also consider the administrative arrangements that have been introduced to facilitate the operation of this framework.

## 2. THE IMPORT FACTOR

The power to control the import of goods is vested in the Minister of Commerce and Industry under the Control of Goods Act.<sup>4</sup> Therefore any person wishing to import goods into the country has to obtain an import license from the Ministry of Commerce and Industry. The Ministry issues two categories of import licenses, the 'No funds' import license and the 'General import license.'<sup>5</sup> The distinction between the two being that, the former is issued where the person proposing to import goods does not intend to externalise any funds from Zambia. The goods have either been paid for from the importers external account or are consigned gratuitously to the importer. The General Import license is issued where the importer proposes to utilise possible foreign exchange allocation from the Central Bank. Both licenses are issued indiscriminately, the process is automatic, an importer wishing to import any category of goods is readily granted an Import License without much ado. But as is



Under the old system of licensing a close relationship had existed between the central bank and the Ministry of Commerce and industry. It has been the function of the central bank to prepare quarterly foreign exchange budget estimates, which were then channelled to the Ministry. The Ministry then issued import licenses corresponding to the estimated foreign exchange. A foreign exchange committee comprising officials from the various sectors of the economy had been charged with the apportioning of the estimated foreign exchange according to the various economic sectors. After the apportionment had been made, importers were then invited to apply for import licenses. This system had as its main drawback, the fact that a number of licenses issued by the Ministry could not be backed by the requisite foreign exchange owing mainly to the fact that the estimates on which the licenses were based were not always accurate. Under this old system, the importer after having obtained an import license still had to apply to his commercial bank or the Bank of Zambia for the actual allocation of the foreign exchange. The main drawback of the old system was the fact that it created a long administrative process which involved a considerable degree of subjectivity in decision

making, this naturally made the system susceptible to corruption and abuse.

It is proposed under the new import licensing systems to do away with the distinction between the two categories of licenses, the no funds licence and the general licence, and introduce one license that will cater for all categories of imports, whether involving the externalisation of foreign exchange from Zambia or not, the distinction under the present liberalised trade regime serves no purpose.

## I EXCHANGE CONTROL

With the Introduction of the foreign exchange auctioning system, exchange control was greatly liberalised. The stringent measures to which importers and exporters had hitherto been required to adhere to were done away with. The auctioning system in international trading delinked the Kwacha from the independent basket of currencies to which it had been aligned to a free float. The value of the Kwacha and hence the rate of exchange was to be determined by demand and supply as determined by a new distributive mechanism. The distributive mechanism which is based on the operation of market forces, in the main, does away with the manual distribution of foreign exchange to users by the Bank of Zambia. The new measure minimises the exercise of

discretion by administrators.

The procedure pertaining to the securing of foreign exchange by importers is straight forward and simple. An importer, after he has obtained an import license from the Ministry of Commerce, submits an application for foreign exchange to his commercial bank. This foreign exchange request must state the amount of foreign exchanged required and the Kwacha & US Dollar rate the applicant is willing to pay. The applicant must then deposit with the bank the requisite Kwacha cover for the required foreign exchange. The commercial bank will then apply (submit bids) on behalf of their clients. The Foreign Exchange Management Committee which is chaired by the General Manager of the Bank of Zambia and of which the Permanent Secretary in the Ministry of Finance is a member, is responsible for conducting the auction.<sup>8</sup> Upon receipt of the bids the Committee's Secretariat sorts and consolidates the bids indicating the rates quoted from the highest to the lowest and the corresponding amounts of foreign exchange requested. The Committee then starts with the highest bid working its way down that list taking into account the amount of foreign exchange requested.<sup>9</sup> This downward movement continues until all the foreign exchange available has been exhausted. The exchange rate that

will exhaust the foreign exchange on offer will be adopted as the ruling rate and will be applied to all the highest bids.<sup>10</sup> Foreign exchange is then allocated to all those applicants who are at and above the rate adopted.<sup>11</sup> Therefore this means that before an importer can advise his bankers to issue a letter of credit in favour of the exporter of the goods, he has to first secure the foreign exchange through the auction. In the event of his first bid not being successful, thus entailing successive applications, the process undoubtedly slows down commercial operations. If the foreign exchange is required for a vital spare part for some capital equipment lying idle it may result in a great loss affecting both capital and labour. Another problem encountered by importers brought about by the auction is the high probability of exchange loss in their international dealings. The ruling rate of exchange may differ between the time the contract is entered into and the time that payment is finally made.

Another requirement of exchange control is that when an importer has identified the goods he must proceed to have them certified by Societe Generale de Surveillance S.A (S.G.S). This is an association which examines goods at the source of supply and issues a clean report of finding, before importation can go ahead. In Zambia

all goods costing more than K10,000 are subject to S.G.S. certification requirement, however certain specified goods are exempted from this requirement.<sup>12</sup>

The operation of exchange control regulations and import licensing regulations before the introduction of the economic austerity programme had amounted to an effective trade barrier, keeping out many imports which were in competition with local products produced by import substitution industry. As a consequence of the reliance on these regulations by the government, the tariff structure was not utilised as an instrument for promoting growth and development. The tariff structure stagnated especially after 1975 when stringent measures were introduced to stem the foreign exchange shortfall. In a study conducted by the World Bank, it was discovered that for the period 1972 to 1978, out of the average ratio of tariff collections in thirty one countries in the sub region, Zambia had the lowest collections ratio.<sup>13</sup> The average ratio for these thirty one countries was nearly four times as high as that in Zambia.<sup>14</sup> As a result of this factor, after the liberalisation of the exchange control and import licensing regime, there has been a major inflow of many different commodities including those produced locally. Local industries being unable to compete are under constant pressure of losing their

market. This is because local producers behind the trade barriers had allowed prices to escalate to well above their traded equivalents. To save local industry from collapse the government has appointed a Tariff Commission. The function of this commission is to look into ways of overhauling the tariff structure and establishing it as the base line of incentives conferred by the trade regime.

### 3. THE EXPORT FACTOR

Exports are also subject to the control of the Minister of Commerce. No goods above the value of fifty Kwacha may be exported from the Republic without the permission of the Minister.<sup>15</sup> Thus every exporter must obtain an export licence for the export of any category of goods. The procedure for exports is relatively simple. Firstly, all exporters must register with the Ministry of Commerce and Industry as exporters (licenses will only be issued to registered exporters). After this has been done, the exporter can then apply for an export licence. In the case of products such as agricultural produce and minerals, and certain other goods which may from time to time be specified by the Minister, a permit from the relevant authority, (this meaning the Ministry or Department in

charge of that sector) is necessary before a licence can be processed. Once the export licence has been issued the exporter must submit a copy of the same together with any other export documents to his Commercial Bank. At the Commercial Bank the exporter will be required to fill in exchange control forms, to ensure that foreign exchange earnings are received in Zambia. After the exporter has completed this process and the documents have been approved they may be cleared through customs for export. Once payment from the foreign buyer has been received, the commercial bank pays the Kwacha equivalent to the exporter at the prevailing rate.

## I INCENTIVES AND EXPORT PROMOTION

The government has declared as its objective the promotion of exports as a strategy for economic development. For this reason a number of incentives have been made available to exporters.

- i) As an incentive, all exporters are allowed to retain fifty percent of their export earnings in foreign exchange. However this foreign exchange has to be utilised within 21 days after its receipt.<sup>16</sup> Further this foreign exchange can only be utilised for purposes

specified by the Bank of Zambia, these refer mainly to the payment for imported inputs and pre-specified invisible payments.<sup>17</sup>

- ii) THE INVESTMENT ACT 1986<sup>18</sup> offers the following incentives to exporters of non traditional products namely, retention of a percentage of their foreign exchange earnings, income and sales tax rebates, access to foreign exchange revolving fund, access to free trade zones, and tax rebate on income for export promotion and foreign market prospection.

For those enterprises engaged in the agricultural sector two further incentives are provided namely

exemption from the payment of selective employment tax, and access to preferential borrowing.

- iii) THE EXPORT DEVELOPMENT ACT 1985<sup>19</sup> creates a high powered Export Council consisting of the Prime Minister as Chairman, the Ministers responsible for Commerce (vice chairman), finance, agriculture, foreign affairs, co-operatives, mines, tourism and transport, the Governor of the Bank of Zambia, the Director General of the Zambia Industrial and Mining Corporation, Chief Executive Zambia Consolidated



Copper Mines, four other members nominated by organisations or associations recognised by the Minister of Commerce as representing exporters and other persons concerned with export trade. This Council is designed to take over the functions of the defunct Zambia Export Promotion Council, which was created in 1978 by a cabinet decision. This Council failed to achieve its objectives due to firstly, lack of administrative powers (it was not legally constituted) and secondly lack of funds to finance its operations.<sup>20</sup> The export promotion Council fell under the Ministry of Commerce and Industry and had as its chairman the Minister of Commerce, the Secretariate was manned by an under Secretary, and it was intended that the Council should take over the operations of the Foreign Trade Department in the Ministry. The Council also had six committees to cater for the various sectors of the economy, chairmen of these committees were elected from their particular sector, the failure of these committees to meet also led to the ineffectiveness of the Council.

The new council therefore is meant to take up through its board the functions which the export promotion council failed to perform. In presenting the Export

Development Bill before Parliament, the Minister of Commerce stated that the creation of the board was within the broad policy of the government to reduce dependency on copper, and that the creation of the board would have the following advantages:<sup>21</sup>

- (a) effective authority to collaborate with the  
Zambian business community on a direct and  
continuing basis and to provide the  
government with valuable information and  
data on which to base policy decisions.
- (b) As a Commercial entity, the Zambia Export  
Development Board would be operational-oriented  
and free from inhibiting bureaucratic practices.
- (c) It would be best suited to attract foreign  
aid, both bilateral and multilateral from  
friendly countries and international  
organisations.
- (d) The separation of the Zambia Export Development  
Board from the Civil service would permit a  
distinct separation of activities to make it  
possible for the board to independently raise  
funds in support of the export drive.

- (e) Advise the government on such export incentives as may be desirable to further promote exports from Zambia.

The Export Development Act states the main function of the Board to be, to develop, promote and encourage in accordance with the policies approved by the Council, the export of goods and services. This involves amongst other things.<sup>22</sup>

1. Recommending for the approval of the council, policies for the promotion and growth of exports, policies relating to the adoption, initiation and ratification of multilateral and bilateral trade agreements affecting exports, and recommending measures aimed at improving the existing trade regime with a view to maximising exports.
2. Complement the effort of exporters in Zambia by collecting and disseminating information, statistical data and providing technical know how relating to markets or potential markets abroad, assist exporters benefit from trade incentives, credit and export guarantee schemes, and advise exporters on acquiring inputs for manufactured exports and the maintenance of the quality of such exports.

3. Promote export trade by co-ordinating the participation of exporters in trade affairs abroad, and liasing with organisations abroad with a view to developing markets for exports.

The Board is empowered to establish by statutory instrument a revolving export fund denominated in a foreign currency out of which funds may be lent for the purpose of securing imported inputs required to fill export orders of non-traditional products.

Although the Export Promotion Board has, as yet not become fully operational, it can be pointed out, that unlike the defunct Export Promotion Council, the Boards Constitution and structural make up give it a better chance of success in attaining the objectives for which it was established.

REFERENCES

1. World Bank; Zambia Industrial Policy and Performance Report No 4436 - 2A  
August, 1984 - pl
2. World Bank; Zambia Industrial Policy pl
3. World Bank; Zambia Industrial Policy ppl-4
4. Control of Goods Act Cap 690 of the Laws of Zambia
5. Control of Goods Act
6. World Bank: Zambia Industrial Policy pp 26-38
7. World Bank: Zambia Industrial Policy pp 26-38
8. K L Lamaswala; A Review of the Foreign Exchange Auction System  
Zambia Students Newsletter March 1986  
The Association of Chartered Secretaries and Administrators in Zambia
9. L Mwananshiku: 'Foreign Exchange Auctioning How the system works and the intended Goal' A paper presented to Z.C.T.U Executive Officials Seminar on Trade Trade Union Administration, Organisation



19. The Export Development Act No. 25 of 1985

20. Jaramillo; Trade in Zambia

21. Jaramillo; Trade in Zambia

22. Export Development Act S.14

CHAPTER FOUR

APPRAISAL OF THE TRADE REGIME

1. INTRODUCTION

A country desiring economic growth should have its attainment as the central objective of its trade regime. The trade regime should promote efficiency, engendering the more efficient utilisation of a country's resources i.e. - labour, capital, natural resources, and administrative and managerial capacity. This should be regardless of the development strategy that a country chooses be it, import substitution or export orientated growth. Therefore, the ascertainment of the success of a development strategy will depend on how far such strategy goes in promoting more efficient economic activity.

As has been pointed out previously, the trade regime in Zambia was greatly liberalised in October 1985. This represented a major change in emphasis of government trade policy. Whereas (before the liberalisation) the government had regarded the promotion of the substitution of imports to be the main emphasis of its trade policy, thus its attainment, the governments main development objective, however with the liberalisation this strategy has been relegated to the periphery of government development policy, outward looking, export oriented policies now constituting



the core of government development objectives. This change in policy emphasis is in line with a general disillusionment with import substitution policies in the third world. Many developing countries feel that import substitution has not engendered the economic growth or industrialisation initially envisaged. The success of export oriented strategies in the South East Asian states coupled with the conditionality of financing of international lending institutions such as the World Bank and the International Monetary Fund have contributed greatly to this shift in emphasis.

In this chapter we shall consider the effects and possible effects, the trade regime will have on Zambia's external trade and development objectives. We shall consider whether the intended goals of the trade regime have a likelihood of success in inducing economic growth and development.

## 2. IMPORT CONTROL AND EXCHANGE REGULATION

Before considering the effects of the current liberalised trade regime, it will be helpful to consider the failings of the previous regime. At the outset it must be recalled, as pointed out earlier that the whole trade regime was geared to the protection and the encouragement of the growth of indigeneous industry. This protection was mainly effected through import licencing and exchange control. It was hoped that such measures would lead to

accelerated industrial growth and economic independence. However the pursuance of import substitution through import and exchange control led to certain economic consequences not intended by the policy makers.

Firstly the administration of the restrictions led to excessive administrative regulations giving rise to bureaucratisation, corruption, uncertainty and delays thus discouraging productive private initiative.

Secondly, the existence of import restrictions led to reduced earnings from exports. This was because protection engendered a higher exchange rate than would have prevailed under a less restrictive trade regime.<sup>1</sup> Export Industry more often than not was faced with expensive domestic inputs produced behind trade barriers leading thus, to the export of commodities that were less competitive in international markets. Further the high protection for local industry coupled with access to imported raw materials at lower rates of duty, made it more profitable to produce for the local market provided there was adequate demand.<sup>2</sup> Thus foreign owned enterprises and to a lesser extent, parastatals, being the only significant business concerns were thus able to take advantage of the opportunity to make profits in a monopolistic setting. In fact import substitution

policy served to encourage foreign penetration of the economy, in particular the establishment of subsidiaries of international concerns behind the trade restrictions. This led to the elimination of the possibility of competition from private indigenous business concerns which were not able to compete with the more established foreign concerns.

Thirdly the restrictions acted as a disincentive to the growth of the agricultural sector. It raised the price of manufactured items relative to agricultural products in the home market, and the over valued exchange rate reduced the domestic currency receipts for agricultural exports.<sup>3</sup> Further the restrictions forced farmers to purchase high cost local implements.

Fourthly the restrictions encouraged an under utilisation of installed capacity and labour. Capital goods could be obtained cheaply as a combined result of the over valued exchange rate and the low duty and minimum restrictions on the importation of such goods. As a result most of the factories were over equipped and capital intensive resulting in a low utilisation of abundant labour<sup>4</sup>. The manufacturing sector best illustrates this trend, manufacturing output grew at more than 7 percent per annum from Independence to the mid 1970's, but manufacturing employment grew less than

half as rapidly.<sup>5</sup> The capital intense nature of import substitution industry meant the adoption of technologies from advanced countries inappropriate to local conditions. This led to a heavy outflow of capital in the form of maintenance, spare parts, transfer pricing and royalty payments.<sup>6</sup>

However the major drawback to the successful implementation of import substitution industrialisation was the import intensity of substitution industry. The manufacturing sector again provides a perfect example, substitution was centred in final consumer goods and some intermediate goods using imported inputs. Thus the expansion of manufacturing for domestic use was not based on the development of Zambia's considerable agricultural potential. Instead of growth was centred in textiles, rubber and chemicals, all of which were highly dependent upon imported inputs and vis-a-vis foreign exchange.<sup>7</sup> While it is admitted that the importation of consumer goods was reduced substantially, this was achieved at the expense of increased imports of equipment and materials, resulting contrary to expectations, in an even more rigid dependence on foreign supplies which in turn aggravated the foreign exchange crisis. In a survey carried out by the National Commission for Development Planning of selected substitution industries, it was

discovered that many industries were operating below capacity because of their dependence on imported inputs as illustrated below.<sup>8</sup>

---

INDUSTRY	CAPACITY UTILISATION %
CHILANGA CEMENT	52
CHOMA MILLING	49
LUSAKA ENGINEERING CO.	48
KABWE INDUSTRIAL FABRICS	46
REFINED OIL PRODUCTS	24
LIVINGSTONE MOTOR ASSEMBLY	21
CONSOLIDATED TYRES	20
MANSA BATTERIES	14

---

Those industries most dependent on imported inputs have the lowest utilisation capacities.

Thus the vexing issues facing the government were threefold. Firstly, how to improve the utilisation of employed resources and improve the effectiveness of production factors. Related to this was the question of how to remove the barriers hampering the growth of

productivity in all economic sectors.<sup>9</sup> Secondly, how to transform the presently unused potential capacity of the national economy into actual production.<sup>10</sup> This relates to the type of investment aimed at restructuring the economy. Problems related to industrialisation policies are of importance in this regard. Thirdly how to counteract the negative influences of the external sector of the economy.<sup>11</sup> More specifically how to close the export and import gap. Thus the measures which were announced by the government in October, 1985 were designed to address some of these problems and attempt to provide a solution.

The immediate effect of the liberalised system has been to increase the inflow and diversity of imports. Foreign exchange and import licences have been made readily available to importers to enable them to import many categories of goods, many of which had hitherto been restricted, or had not been regarded as a priority in the allocation of licences. Local industries which before this had been protected by import and exchange control restrictions are now increasingly finding their goods in competition with goods produced by larger more efficient economic units. As pointed out earlier tariffs have offered little protection to these industries as for many years they have been neglected as instruments of trade control, reliance had been placed solely on

quantitative import restrictions and exchange control restrictions. Many local industries established behind trade barriers are increasingly finding it difficult to continue operating at previous levels. Industries and consumers who had, before the liberalisation, relied on these industries for various products are finding it cheaper and beneficial to purchase these same products from other sources. Consumer preferences are playing an increasingly larger role in determining sales now that business enterprises have access to foreign exchange and import licences and are able to import different varieties of goods.

The liberalised system has also enabled industries which hitherto had been operating at below capacity because of a lack of inputs and spare parts, brought about by a lack of foreign exchange, to operate at their normal capacity. However some industries have discovered that despite being able to obtain foreign exchange to purchase inputs, they are still operating below capacity. The reason being attributed to the high exchange rate. The prices of their inputs have escalated upwards forcing up the price of their products. This in turn had led to a drop in sales because of slackening demand resulting in a fall in industrial capacity. Most concerns faced with these problems have had to institute cost saving measures in most cases

necessitating redundancies. The liberalised trade regime has further strengthened linkages with external economies. Manufacturers have found it easier and cheaper to import ready manufactured products instead of a few inputs to be combined with local inputs to turn out a much more expensive and sometimes inferior quality product compared to the imported equivalent.

However despite the liberalisation importers still face a number of procedural draw backs. Among these being firstly the uncertainty of obtaining a foreign exchange allocation. Despite having obtained an import licence and other documentation required, allocation depends on the rate the importer is willing to pay. This has led to importers submitting high bids in order to ensure an allocation, but in so doing importers have been pushing up their production costs. It is highly unlikely that this spiralling of prices and production costs can continue without causing serious damage to the ability of importers to continue importing and remain viable concerns, and the ability of consumers to continue purchasing the products of such concerns.

Secondly importers, again because of the uncertainty and fluctuation of the exchange rate at the weekly auction, are more likely to suffer an exchange loss. The Kwacha/



US Dollar exchange rate has continued to rise from the first auction conducted in October 1985 when the rate was fixed at K5.01 - US\$1.00 to the rate in the third week of May, 1986 of K7.23 - US\$1.00. Therefore for an importer to enter into a contract with an exporter for the supply of commodities before the securing of foreign exchange is to subject themselves to a considerable risk, unless such an importer has no cash flow problems or can easily obtain short term financing. However this is usually only the case with larger foreign and state owned concerns. The ruling rate of exchange at the time when the contract is entered into with the exporter, given the present trend, is more likely to have changed adversely for the importer at the time when payment is required to be made.

A third constraint faced by importers and linked to the uncertainty of securing a foreign exchange allocation is the fact that letters of credit may not be established prior to securing foreign exchange through the auction, this undoubtedly results in delay more especially where successive bids have to be made due to initial bids not being successful.<sup>12</sup>

A fourth constraint is the restriction placed on the use of suppliers credits. This has been limited to the importation of machinery, equipment, spare parts and

intermediate inputs.<sup>13</sup> However users of such facility have to provide the Bank of Zambia with satisfactory evidence of the eligibility of the goods to be purchased and the terms and conditions of such arrangements must be registered with the central Bank.

### 3. EXPORT REGULATION

As far as exports are concerned the new austerity measures are designed to boost and encourage exports. Government policy has increasingly turned towards outward looking strategies as an impetus for growth. Outward, export orientated strategies have become a more popular vehicle for growth undertaken by developing countries either as an active choice or as a consequence of conditionality demanded by the International Monetary Fund and the World Bank.<sup>14</sup> Further the economic success of the newly industrialised countries, South Korea, Taiwan, Hong Kong, Singapore and Brasil, have merely served to boost the support for these strategies. The advantages of pursuing export orientated policies have been pointed out to be firstly, it leads to an expansion of traditional (raw material) exports.<sup>15</sup> They become cheaper and more competitive, resulting, therefore in increased earnings. Secondly, it leads to a diversification of the export base away from a narrow range of primary exports to manufactures and therefore increasing

the economy's capacity to transform.<sup>16</sup> A broad economic base means that the economy can adjust to shifts in world market prices or other trends. Thirdly the pursuance of export oriented policies leads to a correction of factor price distortions brought about by the implementation of import substitution and other government interventionist policies.<sup>17</sup> The correction of price distortions means that resources will move towards sectors that have comparative advantage thus promoting a higher degree of efficiency. Fourthly successful implementation of export policies leads to a reduction in the balance of payments deficits because of increased and diversified exports and a reduction in imports of non-essentials.<sup>18</sup>

The depreciation in value of the Kwacha by over a hundred per cent was allowed to enable Zambian exports to become more competitive in international markets. It was perceived that such devaluation would result in a net increase in export earning and stimulate the export of non-traditional products. The rationale behind this measure was the assumption that the industry established behind the high trade barriers was inefficient and encouraged factor price distortions. This Industry, it was pointed out, engaged in the production of goods which because of the high price, brought about by high production costs, it was not able to sell to the majority. Further it was pointed out that these industries could

not continue to operate at their full capacity for a prolonged period, because of limited market outlets for their products. There was no export possibilities for surplus. In most cases the products that such industries produced, were luxury or semi luxury products, satisfying the demands of a small segment of the population, namely those belonging to the higher income bracket in urban areas.

The seriousness with which the government is regarding exports as an impetus for economic growth is further manifested by the formation of a high powered council to deal solely with export matters, the introduction of a foreign exchange retention scheme, and various tax incentives that have been offered to investors setting up export industries. The introduction of liberalised exchange control has worked to the advantage of those exporters with a low import input, many of these industries are now able to operate at their normal capacity. However for those industries with a high import content the liberalisation has had the effect of increasing their production costs, thus making it highly unlikely that their products would be competitive in international markets.

However despite these incentives, there are still some drawbacks that exporters face. The main one being the period within which the exporter is allowed to utilise

the fifty percent retention scheme. The 21 days which the exporter is allowed is considered by many exporters to be too short. It diminishes the possibility of its utilization by the exporter. Further the restriction of the use of this foreign exchange to only the exporters imported inputs does not act as an incentive to those exporting enterprises which do not use any imported inputs. Thus the retention scheme to such enterprises is irrelevant as they can claim no benefit under it. Secondly in the allocation of foreign exchange through the auction, no priority is given to exporters (who are the earners of foreign exchange) as such they have to wait in the line with other applicants including importers of finished consumer goods which do not stimulate any further economic activity. In addition exporters are also subject to the uncertainty inherent in the auction system. Thirdly the requirement that exporters should first satisfy domestic market demands before exporting is a measure that was intended to bolster import substitution policy. This measure amounts to a quantitative export control, in that whatever the total output of an enterprise may be, a percentage which satisfies domestic demand has to be put aside despite the existence of an export market for the product. While the rationale for this move might be to save foreign exchange by avoiding the importation of a similar product, it acts as a disincentive to the exporter, more especially where advance price control exists in the domestic setting. It

thus acts as an implicit tax on the enterprise concerned reducing the effective price of its output and the ability of the enterprise to develop new product lines with potential as exports. It further lengthens the administrative process the exporter has to go through by instituting a mechanism to ensure compliance to the condition. Finally the lack of an organised effective institutional framework to promote exports and advise exporters on export outlets has greatly contributed to the lack of growth of the export sector. The Zambia Export Promotion Council proved totally ineffective. However it is hoped that its successor the Export Board will play a more effective role and provide the impetus for the growth of non traditional exports.

#### 4. IN PERSPECTIVE

The decision by the government to liberalise the trade regime must also be seen in the wider context of the governments attempt to fulfil external conditionality to enable it to secure additional funding from International Financial Institutions to make up for the short fall in export earnings. These institutions before making any firm loan commitment have demanded reform in the countrys economic policies. In the fore in making these demands has been the International Monetary Fund

(IMF) which has demanded mostly monetary and fiscal reform and the World Bank, which has been involved in actual economic structural reform.<sup>19</sup> IMF programmes which often involve a re-examination of private and public investment policy and the operation of public enterprises has necessitated increasing collaboration with the World Bank in implementing reform programmes. The Commercial banking system which since the mid 1970's has become an important source of finance for developing countries has come to depend upon the assessment of credit worthiness of developing countries by these multilateral bodies. Many Commercial banks are only eager to extend financing to indebted developing countries only after such countries have fulfilled or indicated a willingness to fully accept IMF World Bank conditionality.<sup>20</sup> The cornerstone of IMF World Bank policy is the promotion of the market economy. Thus, in the main its prescription towards reform, has been to limit government interference in the operation of national and international market forces.<sup>21</sup> It has advocated for a liberalised trade regime entailing a liberalised licencing system, if it exists, and a flexible exchange rate policy to take cognisance of prevailing economic circumstances. From the above it is therefore easy to discern that the I.M.F has not been in favour of import substitution policies

and accompanying restrictions, favouring instead the creation of an industrial base, based on economies of scale.

Zambia's credit association with the I.M.F began in 1973 after the Mufulira Mine disaster. At that time Zambia enjoyed a favourable balance of payments position. The I.M.F. was merely requested to provide a compensatory financing facility to make up for the short fall in current payments that would result as a direct consequence of the drop in the production of copper, brought about by the disaster. As this time loan conditionality was minimal because Zambia had a favourable balance of payments position and was able to meet its loan obligation with ease. However the slump in copper prices in 1975 resulted in Zambia for the first time incurring a balance of payments deficit. To offset the balance of payments shortfall the government sought I.M.F. assistance. However before the I.M.F. could advance any monies it demanded a currency devaluation, intended to make the mining Industry more profitable.<sup>22</sup> Zambia complied by devaluing by 20 percent. This marked the beginning of strict I.M.F conditionality in Zambia. This trend has since continued with a devaluation of 10 percent in 1978, 20 percent in 1983 coupled with the delinking of the Kwacha from the special drawing rights, to a basket of currencies, thus providing flexibility and committing the government to



making small but frequent downward adjustments of the currency.<sup>23</sup> This was followed in 1985 by a devaluation of over a hundred percent when the auctioning system was introduced. Coupled with devaluation the I.M.F. has demanded a liberalisation of import and export licencing, a reduction in government expenditure, a decontrol of prices, an increase in interest rates, limits on internal governmental and non-governmental borrowing, and a liberalised investment code.<sup>24</sup> As the economy and the balance of payments position has worsened the I.M.F. has imposed wider and far reaching conditionality.

As far as the trade regime is concerned, the intended effect of all these measures has been to stimulate exports. A greater emphasis was to be placed on exports and more especially the establishment of export based industry based on the economies of scale as a means of economic development. However it is debatable whether the measures taken have much chance of success in resuscitating the foundering economy, more especially taking into account two factors. Firstly that export orientated industrialisation as experienced by the newly industrialised countries was a result of certain historical facts obtaining at the time and which do not exist presently.<sup>25</sup> An expanding world economy after the second world war led to favourable access to the markets of developed countries by developing

countries, increased access to international finance and the relocation of production by transnational corporations to the periphery.<sup>26</sup> Secondly given the metal base upon which the export industry is based, with non-metal exports accounting for only less than 15 per cent of total export earnings. It is hard to see how in the short term, non metal exports can make up for the short fall in export earnings arising out of the fall in the price of metal exports. In the long run however export orientated industrialisation may prove to be a viable strategy for development provided the present trend toward protectionism in the developed countries comes to pass, and allows greater market access to agricultural and manufactured products from developing countries.

As far as import substitution policies are concerned it would not be entirely correct to state that per'se, they have failed as a development strategy on account of being uneconomic. It is only in the manner in which they have been implemented that has led to their failure. As has already been stated, in Zambia, the main factor leading to the failure of import substitution as a development strategy was the dependence of the industry on a large scale on imported inputs. The industry did not have its basis on locally produced items, its linkage to the local agricultural and manufacturing sectors was virtually non-existent. Where local inputs were used they only

amounted to a very small percentage of the total value of the product. Thus the solution cannot lie in a total disregard of the substitution strategy, but in a re-examination, with more emphasis being placed on local linkages. Where imported inputs are required they should only be allowed to contribute to a small percentage of total cost. With such industries export opportunities are a must if the industry is to offset the foreign exchange cost of the imported inputs. It must be noted that even in the newly Industrialised countries, substitution policies were responsible for building the industrial base on which export orientated industry later thrived.<sup>27</sup>

However for a developing country like Zambia, the choice between the two development strategies is not an easy one. More so when consideration is given to the notion of economic independence and self reliance which constitute the objective of government policy, the attainment of which signifies the ultimate fulfillment of political independence. Market orientated policies on the other hand given the absence of adequate local capital can only lead to a more pronounced domination of the economy by foreign capital and the strengthening of external linkages. As was aptly put by Julius Nyerere, for a poor under developed country, "a capitalist economy means a foreign dominated economy."<sup>28</sup>

REFERENCES

1. World Bank; Accelerated Development in Sub-Saharan Africa - 1981 pp 24 - 27
2. World Bank; Development Sub Saharan Africa pp 24-27
3. World Bank; Development Sub Saharan Africa pp 24-27
4. H. Schmitz; Industrialization Strategies in less Developed countries: Some lessons of Historical Experience. The Journal of Development Studies Volume 21 No 1 October, 1984, p 3
5. V. Seshamani; The Manufacturing Sector of Zambia since independence: An analytical profile the Zambian Economy: Problems and Prospects Proceedings of a National Workshop - Lusaka, Zambia 27-29 April 1984. pp 299-318
6. Schmitz; Industrialisation Strategies in LDC's p3
7. Seshamani; The Manufacturing Sector of Zambia pp 299-318
8. E. C. Kaunga & P. D. Ncube; An Overview of the Zambian Economy  
The Zambian Economy: Problems and Prospects Proceedings of a National Lusaka Zambia 27-29 April 1984. p. 162
9. Kaunga & Ncube; An overview of Zambian Economy pp 175-177
10. Kaunga & Ncube; Zambian Economy pp 175-177
11. Kaunga & Ncube; Zambian Economy pp 175-177
12. Exchange Control Regulations

13. Exchange Control Regulations
14. R. Kaplinsky;      The International Context for  
Industrialisation in the coming decade  
The Journal of Development Studies  
Volume 21 No 1 October 1984 - p 75
15. Kaplinsky;      Industrialisation in the coming decade.  
pp 75 - 90
16. D. Evans & P  
P. Alizadeh;      Trade, Industrialisation and the Visible  
hand  
The Journal of Development Studies  
Volume 21 No 1 October pp 22-37
17. Evans &  
Alizadeh;      Trade, Industrialisation and the visible  
hand pp 22 - 37
18. Evans &  
Alizadeh;      Trade Industrialisation and the visible  
hand pp 22 - 37
19. Kaplinsky;      Industrialisation in the coming decade  
pp 84 - 86
20. Kaplinsky;      Industrialisation in the coming decade  
pp 84 - 86
21. Kaplinsky;      Industrialisation in the coming decade  
pp 84 - 86
22. G.R.Z./UNICEF;      Situation Analysis of Children and  
Women in Zambia (Programing Committee)  
pp 37 - 39
23. GRZ/UNICEF;      Situation Analysis pp 37 - 39
24. J. Wolf      Policy of the IMF package. Paper  
presented to Zambia/IMF seminar  
department of Business and Economics  
UNZA 1984.

25. Schmitz; Industrialisation Strategies in LDC's  
pp 8 - 14
26. Schmitz; Industrialisation Strategies in LDC's  
pp 8 - 14
27. Schmitz; Industrialisation Strategies in LDC's  
pp 8 - 14
28. R. H. Green; 'Economic Independence and Economic  
Co-operation' in D. Ghai (ED) Economic  
Independence in Africa-East African  
Literature Bureau Nairobi 1973 p 45

CHAPTER FIVE

CONCLUSION SUMMARY AND RECOMMENDATIONS

In an increasingly interdependent world, external economic relations are of vital importance, more especially for developing countries which are dependent on trade to provide capital, goods, enterprise and technology to meet their developmental needs. In many developing countries the state is playing an increasingly larger role in the regulation of external relations. This is in conformity with international law which recognises that national governments have exclusive jurisdiction over their territory and are the only legal representative of the state vis-a-vis other states. However notwithstanding this principle, what a state can or cannot do is constrained by the power of other states.<sup>1</sup> For a very weak state, national sovereignty may become a legal fiction even within its own territory.<sup>2</sup> However despite this fact many developing countries have some form of control or supervision over their external economic relations with other countries.

Trade relations with other countries especially developed countries can have a profound effect on the operation of the economy as a whole and not just in its external aspects. Thus it is imperative that nations both individually and collectively base their policies on the

objective analysis of international economic relations. Broadly speaking, for many developing countries the choice has been either to adopt a protectionist, restricted trade regime which has necessitated the introduction of import and export control through import and export licencing a quantitative restriction measure, tariff protection and exchange control, or an open market, export orientated trade regime with few trade restrictions designed to encourage trade, more especially export trade. Whatever strategy a developing country has chosen as its path to development, it has nonetheless involved external economic intercourse with other states.

In Zambia the external sector plays a prominent role in economic growth. Copper exports which account for over 90% of export earnings contribute to over 80% of government revenue. Thus there can be no doubting the importance of trade to the country. However as pointed out earlier, with the drop in copper prices, the external sector has increasingly contributed less to the government coffers. Since 1975 the government has experienced not only a trade balance of payments deficit but also a budget deficit. To make up for this shortfall the government has relied on external financing and as a result its foreign debt has increased significantly.



As at 1984 Zambia's foreign debt had increased to more than 100% of gross domestic product and the country was spending close to 60 per cent of her foreign reserves on debt servicing.<sup>3</sup> As a result the government was forced by a lack of funds and external conditionality to discontinue its policy of encouraging and supporting import substitution industry. This policy as has been pointed out earlier, was a major drain on government reserves. The majority of such industry were established by the state (parastatals) or with limited government participation. Therefore the government did not only play a promotional role, i.e. encouraging the establishment of such industry by the introduction of incentives, but also because of a lack of private domestic capital and entrepreneurial skill, actually became involved in the establishment and running of these industries. As a result the government bore the full financial brunt of the failure of such policy. This being the economic situation the government decided to change its developmental policy, from that based on import substitution, to a more export orientated, market trade regime. With the implementation of this policy most of the trade controls which had hitherto existed were dismantled. A greater emphasis is now being placed on limiting government involvement in economic affairs, more

especially in unprofitable economic ventures, this is so as to reduce government expenditure. Private capital both domestic and foreign is being encouraged to play a more prominent role, in the economy. Further the government is committed to encouraging the greater participation of non traditional exports i.e. non mineral products in Zambia's export trade. In this respect the agricultural and manufacturing sectors are being encouraged to play a more prominent role in export trade.

Whether this policy is likely to succeed and yield better results than import substitution is debatable. Cognisance has to be taken of a number of important factors. Agricultural exports have since 1964 played a very limited role in Zambia's external trade. In 1964, the major agricultural exports, tobacco and maize contributed 2% to total export earnings.<sup>4</sup> This declined to 0.4% in 1970 and 0.2 per cent in 1980.<sup>5</sup> Overall this was an average of 1% of total exports over the 1964-1980 period.<sup>6</sup> The share of agricultural exports in total export has actually been declining over the period, reinforcing the economy's dependence on mineral exports. Coupled with this, consideration has to be given to the fact that agricultural products have always been the subject of protectionism in Western markets since even before the inception of the G.A.T.T. The G.A.T.T itself has not redressed this situation as many developed

countries have been granted agricultural waivers. The agricultural sector in the industrialised countries has always been regarded as being of vital strategic importance and thus, governments have always been reluctant to subject this sector to external competition which may undermine the sectors existence and subject the government to possible external influence. As a result imports of agricultural products from developing countries are limited by both tariffs and / non tariff measures such as quantitative restrictions, subsidies, antidumping regulations and technical and health regulations. A prominent example of such restriction is the Common Agricultural Policy (C.A.P) of the European Economic Community (E.E.C). This policy effectively protects the European agricultural sector from external competition. The Lome Convention Agreements allow limited access to the E.E.C markets of mostly minerals and tropical foodstuffs, specifically excepting temperate food products. The reason for this is obvious, because tropical products cannot grow in the temperate climate of Europe, they cannot pose a threat to the European agricultural sector. But it must be noted that even tropical product exports are subject to quota limitation. The 58 developing countries who are the contracting parties to the convention are each allocated quotas for the tropical products they produce. Thus increased production does not necessarily lead to an increase in exports and exports earnings. From the foregoing it

may be concluded that a revitalisation of the agricultural sector may help the country's external payments position, by reducing foreign exchange expenditure on imported agricultural products, but it is highly unlikely that an increase in the production of agricultural products would lead directly to an increase in exports and export earnings. However on a long term basis it may contribute to a rise in exports by producing appropriate raw materials for a local restructured and revitalised manufacturing sector which would then open up prospects for the export of manufactured products.

As far as manufacturing as an export earner is concerned, initially the sector grew at a phenomenal rate. The share of manufacturing in the gross domestic product which was 6.7 per cent in 1965 almost doubled to 13 per cent in the span of a decade.<sup>7</sup> But as has already been stated earlier, this growth was directly related and dependent upon copper more specifically copper prices. As long as copper prices were high and the country earned enough foreign exchange, the manufacturing sector grew. However with the decline of copper prices in 1974 - 75 manufacturing output began declining. The reason for this decline was the sectors dependence on imported inputs. Despite many political pronouncements made as early as 1964 to diversify the economy away from

copper domination, no conscious strategy had been evolved to put the development of the manufacturing sector on a self reliant and self sustaining path. As a result of the shortages of foreign exchange, restrictions were placed on the importation of essential raw materials and spare parts needed in the manufacturing sector. This led to under utilisation of installed capacities and a decline in output. The fact that the manufacturing sector was heavily dependent on capital intensive imported technology further aggravated the situation. In its development, the manufacturing sector did not take cognisance of the possibility of utilising indigeneous labour intensive techniques which do not strengthen external linkages.

A JASPA report on basic need in Zambia points out that a prominent feature of Industrialisation in Zambia is the negligible structural change that had taken place within the manufacturing sector since independence.<sup>8</sup> It is pointed out that the food, beverages and tobacco subsector has dominated the manufacturing sector contributing 47 percent of the total manufacturing output. The report states that throughout the seventies, the manufacturing sector had remained consumer goods oriented, catering mostly to the higher income brackets. It states that the manufacturing sector has not adequately addressed itself to the provision of basic needs for the common man, that with its significant import dependence for procuring machines and raw materials,

the sector has failed to generate structural output and employment linkages with the other sectors of the economy. Therefore for the manufacturing sector to play a much more prominent role in the external sector there has to be a total restructuring of the sector with the aim of reducing the sectors dependence on imported inputs and the greater utilisation of local resources. Linkages with other sectors of the economy especially the agricultural sector has to be promoted. The integration of the two sectors, agricultural and manufacturing, holds the greatest promise in the long term of increasing export earnings and offsetting the balance of payments deficit problem. It is toward the achievement of this goal that the legal and administrative framework should be structured.

In as far as the licensing requirements and procedures are concerned, since the liberalisation, their effect on external trade has been negligible. Apart from the requirement that exporters should first satisfy domestic demand before export outlets are sought, the licensing procedure at best exists for statistical and record purposes. Thus since the liberalisation the licensing procedure has ceased to be a major instrument for the determination of government objectives. However as far as the economy as<sup>a</sup> whole is concerned the liberalisation of the licencing regime has nonetheless had a profound effect on its operation. As has already been mentioned,

apart from allowing the importation of products which had hitherto been restricted, the new licencing regime has encouraged the establishment of manufacturing enterprises which have a considerable import input. Even those already established manufacturing enterprises which had began to adapt to the use of local resources, have with the availability of import licences and foreign exchange once again resorted to the importation of their inputs. This has resulted in a further strengthening of external linkages to the manufacturing sector. While further weakening the manufacturing sectors linkage to other domestic economic sectors.

Exchange Control Regulations have also greatly contributed to this situation. The auctioning rules which allow the allocation of foreign exchange to successful bidders regardless of the nature of the product, which the bidder seeks to import and nor its impact on the economy, has not only put local industries under considerable pressure, but they have also allowed those industries dependent on imported inputs which were brought about, as a result of the wrong implementation of import substitution policy, and which were on the verge of collapse, to thrive. Thus while in the short term they may have appeared to have resuscitated the

economy by increasing the supply of goods, and allowing most substitution industries to operate at normal capacity, but in the long term it has merely reinstated the status of the manufacturing industry to that which obtained before 1974 when copper export revenues were high. Only that this time unlike then, the revenues are not as a result of high export earnings but are as a result of external loans. This has further increased the country's already considerable debt burden. The system has also brought about high and increasing inflation due to the high exchange rate which leads to goods costing more either because they are imported or have a high import content. To sum it all up the overall effect of the licencing and exchange control regulations has been to strengthen the economy's foreign dependence.

By way of recommendation it is suggested that the government should attempt to engender a trade regime that, unlike the present, will make the best possible utilisation of local resources. Given the considerable implementation of import substitution, the government instead of doing away with such policy should attempt to rehabilitate those industries that are best able to use local inputs i.e. local raw materials. This should



include the encouragement of the use of local labour instead of the use of technology capital goods. Those substitution industries that cannot be so rehabilitated should be scrapped to lessen the demand burden on export earnings and save government revenue. Industries with an import content should only be allowed to continue in production if they offset this foreign exchange requirement by generating foreign exchange earnings from the export of their products. For such industries the government should offer incentives such as lightening their tax burden and other duties, so as to lower their production costs and thus increase the competitiveness of their products in international markets.

It has been shown by a study carried out by a prominent economist that export promotion and import substitution are not necessarily fully competitive but complementary.<sup>9</sup> That the two can co-exist if not concurrently then consecutively. A country can initially increase its exports, then embark on a number of import substituting activities aided by tariffs, foreign aid etc, and then again stimulate exports, and so on.<sup>10</sup> Alternatively the same effect could be achieved by embarking first on import substitution. Alternatively the same effect could be achieved by embarking first on export substitution. The actual path to be followed

by a country is to be determined by the existing level and composition of exports and their prospects, and the extent and nature of import substitution activities that have already been undertaken and their potential. It must be pointed out, that, the ever increasing technological edge and the protectionism in the developing countries make the sole reliance on economies of scale for development by developing countries to be totally unrealistic. The comparative advantage a developing country may possess today may be gone tomorrow as a result of the development of new technology. This technology may either negate the labour or other advantage the developing may have, or the development of new technology may lead to the development of a synthetic product which may not only be cheaper to produce but also possess better qualities than the natural product produced by the developing country. In any case even if the synthetic product does not have an outright comparative advantage, the protection granted to it by tariffs or other non tariff restriction may make it more economical to use in the developed country than the imported natural product from the developing country.

As far as export promotion is concerned, the drive should not only be confined to large scale substitution industries but also to small scale substitution industries close liason should be encouraged between the new Export

Development Board and the Small Industries Development Organisation, so as to enable small industries to take advantage of export opportunities which the Board may come up with. Financial support should be made available to those small industries which possess an export potential through such mechanism as export credit guarantees.

It will be interesting to observe how the credit guarantee scheme provided for in the amended Bank of Zambia Act will operate.<sup>11</sup> The relevant section in the Act merely empowers the Bank of Zambia to provide protection to financial institutions against losses incurred by them in granting loans or advancing funds for the purpose of promoting small enterprises.<sup>12</sup> The successful implementation of this scheme will depend upon the ability of the central bank to influence financial institutions to cover financing of small enterprises without demanding adequate collateral. The financial institutions will have to be convinced about the ability of the central Bank to make up for any losses they may incur as a result of backing such enterprises. If the scheme does succeed it will enable small ~~ids~~ industries overcome their single major problem. Exports cost money to effect and exporters have usually experienced long delays in receiving their export

proceeds, this has been mainly due to the delay resulting from the procedure of obtaining export licences and permits, payments for handling and processing documents etc. Therefore instead of small industries waiting indefinitely for export proceeds, they would be guaranteed payment on the spot for their products to ease the burden on their cash flows. Eventually when their receipts or proceeds from the exports arrive these would be used to liquidate or expunge their indebtedness with the commercial bank.

In a nutshell the development of small industries offers the following advantages, firstly it would take development to backward areas and would not be restricted to urban or peri-urban areas as are large scale industries. Further by being amenable to labour intensive methods they can help provide a solution to the unemployment problem without necessarily involving large capital investment. Secondly the setting up of small industries based on locally produced raw materials can go a long way towards saving crucial foreign exchange. Since its establishment in 1983 the Small Industries Development Organisation has identified 103 commodities that could be produced on a small scale in rural areas.<sup>12</sup> The input base for these commodities being locally available wood and leather resources and

agricultural produce. SIDO states that a capital investment in such a small industry of ZMK 3000 to ZMK 4000 would provide one employment position as contrasted to nearly 1. ZMK 40,000 to ZMK 50,000 which is required to create one such employment position in the large scale sector.<sup>13</sup>

Finally another alternative that should be encouraged is that of regional collective self reliance such as within the Southern Africa Development Co-ordination Conference (SADCC) grouping. Co-ordinated import substitution on a regional scale can provide a genuine alternative development strategy. Instead of each country in the region setting up a particular industry and thus being in competition with each other in as far as export opportunities are concerned, a process should be encouraged where particular industry is allocated to particular country in the region, or if in more than one, the two be complementary, thus offering optimum export opportunities according to country and industry in the region. Therefore in this respect it would be to the advantage of the region, in the promotion of this goal, to formulate uniform trade and investment regimes. This would enable the countries involved to do away with damaging regional competitiveness and trade discrimination thus taking the region closer

towards economic integration and with it greater economic growth and prosperity.

REFERENCES

1. F. R. Root; International Trade and Investment  
(South-Western Publishing Co.)  
OHIO 1984 5th Edition p
1. Root; International Analysis of ~~Chi~~
2. Root; International Trade and Investment
3. GRZ/UNICEF; Situation Analysis of Children and  
Women in Zambia  
Zambia Printing Co. Lusaka
4. M. Ndulo; "The Structure of Zambia's External Trade  
1964 - 1986  
in the Zambian Economy: Problems and  
Prospects (International Development  
Research Centre) proceedings of a  
National Workshop held in Lusaka,  
Zambia 27th - 29th April 1985 p 237
5. Ndulo; *ibid* Structure of Zambia's External Trade, 237
6. Ndulo; Structure of Zambia's External Trade, 237
7. V. Seshamani; "The Manufacturing sector of Zambia,  
since independence: An Analytical  
Profile" in, The Zambian Economy:  
Problems and Prospects (International  
Development Research Centre)  
Proceedings, of a National Workshop held  
in Lusaka, Zambia 27th - 29th April 1985  
p.
8. Seshamani; *ibid* The Manufacturing Sector of Zambia
9. P. K. Mitra; Import Substitution and Export Promotion  
as a means to Industrialisation  
Economia Internazionale August - November  
1974 pp 524 - 537
- T. A. Oyejide; Exports in Economic Growth in African  
Countries Economia Internazionale  
February - March 1975 pp 177 - 185

10. Mitra; Import Substitution pp 524 - 537
11. Bank of Zambia Act No. 24 of 1985 S 58
12. V. Seshamani and P. C. Samanta; Growth of the Non-Copper (Manufacturing) Sector of Zambia July 198  
Department of Business and Economic Studie  
UNZA.
13. Seshamani & Samanta; Growth of Non Copper Sector



SELECTED BIBLIOGRAPHY

BOOKS

1. BACHMANN HANS: THE EXTERNAL RELATIONS OF LESS DEVELOPED COUNTRIES  
A MANUAL OF ECONOMIC POLICIES  
FREDERICK A. PRAEGER - NEW YORK 1966
2. BRYCE D. MURRAY: POLICIES AND METHODS FOR INDUSTRIAL DEVELOPMENT  
MC GRAW - HILL BOOK CO NEW YORK 1965
3. CAIRNCROSS A.K.: FACTORS IN ECONOMIC DEVELOPMENT  
GEORGE ALLEN E UNWIN AND LTD - LONDON 1962
4. CARR HALLETT EDWARD: THE NEW SOCIETY  
MAC MILLAN & CO LTD LONDON 1956
5. CLARK B. PETER: PLANNING IMPORT SUBSTITUTION  
NORTH-HOLLAND PUBLISHING CO - AMSTERDAM 1970
6. COLMAN DAVID: NIXSON FREDERICK: ECONOMICS OF CHANGE IN LESS DEVELOPED COUNTRIES  
PHILIP ALLAN PUBLISHERS LTD-OXFORD 1978
7. HABERLER GOTTFRIED: A SURVEY OF INTERNATIONAL TRADE THEORY  
INTERNATIONAL FINANCE SECTION DEPARTMENT OF ECONOMICS - PRINCETON UNIVERSITY 1961
8. HARROD ROY: INTERNATIONAL ECONOMICS  
JAMES NISBET & CO LTD - CAMBRIDGE 1966
9. HITCHNER DELL G: HARBOLD WILLIAM H.: MODERN GOVERNMENT A SURVEY OF POLITICAL SCIENCE  
DOOD MEAD & COMPANY 1970 SECOND EDITION - NEW YORK

10. JOHNSON HARRY G., ECONOMIC POLICIES TOWARDS LESS DEVELOPED COUNTRIES
11. JOHNSON G. HARRY: MONEY TRADE & ECONOMIC GROWTH  
GEORGE ALLEN & UNWIN LTD - LONDON 1964
12. KNOX FRANCIS: GOVERNMENTS AND GROWTH  
SAXON HOUSE LTD-ENGLAND 1976
13. LAL DHEPAK: THE POVERTY OF DEVELOPMENT ECONOMICS  
THE INSTITUTE OF ECONOMICS AFFAIRS -  
1983 - LONDON
14. MASODKAR B.A.: SOCIETY STATE AND THE LAW  
N.M TRIPATHI PRIVATE LTD - BOMBAY 1979
15. MEETER M GERALD: INTERNATIONAL TRADE & DEVELOPMENT  
HARPER & ROW - NEW YORK - 1965
16. NYINT. H.; THE ECONOMICS OF THE DEVELOPING COUNTRIES  
HUCHINSON & CO LTD - LONDON - 1965
17. OSER JACOB: PROMOTING ECONOMIC DEVELOPMENT WITH ILLUSTRATIONS FROM KENYA  
NORTH WESTERN UNIVERSITY PRESS  
EVANSTON - 1967
18. SEIDMAN ROBERT B: THE STATE LAW AND DEVELOPMENT  
GROOM HELM LONDON 1978
19. SINGH MANMOHAN: INDIA'S EXPORT TRENDS  
CLERENDON PRESS OXFORD 1964
20. SNIDER DELBERT A: INTRODUCTION TO INTERNATIONAL ECONOMICS  
7TH EDITION RICHARD D. IRWIN INC  
HOME WOOD ILLINOIS - 1979

21. SPETTER HENRY: ~~INWARD-LOOKING E~~  
21. SPETTER HENRY: *Handwritten* INWARD-LOOKING AND EXPORT-ORIENTED  
INDUSTRIALISATION IN DEVELOPING  
COUNTRIES  
(THE CASE FOR EXPORT-ORIENTED  
INDUSTRIES) CENTRE FOR AFRO-ASIAN  
RESEARCH OF THE HUNGARIAN ACADEMIC  
OF SCIENCES - BUDAPEST 1970

22. STREETEN PAUL (EDITOR): TRADE STRATEGIES FOR  
DEVELOPMENT PAPERS OF THE NINTH  
CAMBRIDGE CONFERENCE ON DEVELOPMENT  
PROBLEMS.  
- THE MACMILLAN PRESS LTD - LONDON  
1973

23. THOBURN JOHN T: PRIMARY COMMODITY EXPORTS & ECONOMIC  
DEVELOPMENT  
JOHN WILEY & SONS LONDON 1977

ARTICLES AND PAPERS

1. M. NDULO - "THE STRUCTURE OF ZAMBIA'S EXTERNAL TRADE  
1964 - 1980  
THE ZAMBIAN ECONOMY: PROBLEMS AND PROSPECTS  
(INTERNATIONAL DEVELOPMENT RESEARCH CENTRE) APRIL 1985
2. V. SESHAMANI - "THE MANUFACTURING SECTOR OF ZAMBIA SINCE  
INDEPENDENCE: AN ANALYTICAL PROFILE"  
THE ZAMBIAN ECONOMY: PROBLEMS AND PROSPECTS  
(INTERNATIONAL DEVELOPMENT RESEARCH CENTRE) APRIL 1985
3. P.K. MITRA: "IMPORT SUBSTITUTION AND EXPORT PROMOTION AS  
A MEANS TO INDUSTRIALISATION  
ECONOMIA INTERNATIONALE AUGUST - NOVEMBER 1974
4. T.A. OYEJIDE: "EXPORTS IN ECONOMIC GROWTH IN AFRICAN  
COUNTRIES"

5. V. SESHAMANI & P.C. SAMANTA: "THE GROWTH OF THE NON  
COPPER (MANUFACTURING) SECTOR OF  
ZAMBIA JULY 1985 DEPARTMENT OF  
BUSINESS AND ECONOMIC STUDIES UNZA
  
6. SCHMITZ: "INDUSTRIALISATION STRATEGIES IN LESS  
DEVELOPED COUNTRIES: SOME LESSONS OF  
HISTORICAL EXPERIENCE"  
  
THE JOURNAL OF DEVELOPMENT STUDIES  
VOL 21 NO. 1 OCTOBER 1984  
LUSAKA, ZAMBIA
  
7. E.C. KAUNGA & P.D. NCUBE: "AN OVERVIEW OF THE ZAMBIAN  
ECONOMY"  
  
THE ZAMBIAN ECONOMY: PROBLEMS AND  
PROSPECTS PROCEEDINGS OF A NATIONAL  
WORKSHOP - 27th - 29th APRIL 1984  
LUSAKA, ZAMBIA
  
8. R. KAPLINSKY: "THE INTERNATIONAL CONTEXT FOR  
INDUSTRIALISATION IN THE COMING DECADE"  
  
THE JOURNAL OF DEVELOPMENT STUDIES  
VOLUME 21 NO 1 OCTOBER 1984
  
9. D. EVANS & P. ALIZADEH: "TRADE INDUSTRIALISATION AND THE  
VISIBLE HAND"  
  
THE JOURNAL OF DEVELOPMENT STUDIES  
VOLUME 21 NO 1 OCTOBER 1984
  
10. W.R. CLINE: "CAN THE EAST ASIAN MODEL OF DEVELOPMENT  
BE GENERALISED"  
  
WORLD DEVELOPMENT VOL 10 NO 2 1982
  
11. BROWETT: "THE NEWLY INDUSTRIALIZING COUNTRIES  
AND RADICAL THEORIES OF DEVELOPMENT"  
  
WORLD DEVELOPMENT VOL 13 NO 7 1985

12. G. RANIS: "CAN THE EAST ASIAN MODEL OF DEVELOPMENT BE GENERALISED? A COMMENT"  
WORLD DEVELOPMENT VOL 13 No 4 1985
13. R. CHISUPA: "STRATEGY FOR INDUSTRIAL DEVELOPMENT IN THE NATIONAL DEVELOPMENT PLANS"  
BUSINESS AND ECONOMICS ASSOCIATION JOURNAL  
VOL 3 JUNE 1978 - UNZA  
OFFICIAL DOCUMENTS & REPORTS

OFFICIAL DOCUMENTS & REPORTS

1. FEDERATION OF RHODESIA AND NYASALAND:  
REPORT OF THE SECRETARY TO THE MINISTRY OF COMMERCE AND INDUSTRY - 1961
2. FEDERATION OF RHODESIA & NYASALAND  
REPORT OF THE CONTROLLER OF CUSTOMS AND EXCISE  
1ST APRIL 1954 - 30TH JUNE 1959
3. G.R.Z.: REPORT OF THE CONTROLLER OF CUSTOMS AND EXCISE  
1ST JANUARY 1965 - 30TH JUNE 1966 MINISTRY OF FINANCE LUSAKA
4. G.R.Z.: REPORT OF THE CONTROLLER OF CUSTOMS AND EXCISE  
1ST JANUARY 1964 - 30TH JUNE 1965 MINISTRY OF FINANCE LUSAKA
5. G.R.Z.: SECOND NATIONAL DEVELOPMENT PLAN 1972 - 1976  
GOVERNMENT PRINTER DECEMBER 1971 LUSAKA
6. G.R.Z.: FIRST NATIONAL DEVELOPMENT PLAN 1966 - 1970  
GOVERNMENT PRINTER JULY 1966
7. G.R.Z.: RESTRUCTURING AMIDST CRISIS 1984  
VOLUME ONE
8. C.R.Z.: THIRD NATIONAL DEVELOPMENT PLAN 1979 - 1983  
GOVERNMENT PRINTER 1979 LUSAKA

9. G.R.Z GUIDELINES FOR THE FORMULATION OF THE FOURTH NATIONAL DEVELOPMENT PLAN  
GOVERNMENT PRINTER MARCH 1985 LUSAKA
10. G.R.Z RESTRUCTURING AMIDST CRISIS 1984  
VOLUME TWO
11. GRZ/UNICEF: SITUATION ANALYSIS OF CHILDREN AND WOMEN IN ZAMBIA  
ZAMBIA PRINTING CO. LUSAKA
12. UNCTAD/GATT - C. JAHAMILLO: ANALYSIS OF THE INSTITUTIONAL INFRA STRUCTURE FOR FOREIGN TRADE IN ZAMBIA  
INTERNATIONAL TRADE CENTRE ITC/D55/84/14  
JUNE 1984
13. WORLD BANK: ACCELERATED DEVELOPMENT IN SUB-SAHARAN AFRICA 1981
14. WORLD BANK: ZAMBIA INDUSTRIAL POLICY AND PERFORMANCE REPORT NO 4436 - 2A AUGUST 1984
15. FRN: FEDERAL ASSEMBLY DEBATES - 10TH MARCH 1954
16. FRN: FEDERAL ASSEMBLY DEBATES - 28TH JULY 1954
17. FRN: FEDERAL ASSEMBLY DEBATES - 24TH FEBRUARY 1961
18. ZAMBIA: NATIONAL ASSEMBLY DEBATES - 14TH TO 18TH DEC. 1964

STATUTES

1. BANK OF ZAMBIA ACT NO. 24 of 1985
2. CONTROL OF GOODS ACT  
CHAPTER 690 OF THE LAWS OF ZAMBIA
3. EXCHANGE CONTROL ACT  
CHAPTER 593 OF THE LAWS OF ZAMBIA
4. INVESTMENT ACT 1986

5. THE EXPORT DEVELOPMENT ACT NO. 25 OF 1985
6. INDUSTRIAL DEVELOPMENT ACT 1977  
LAWS OF THE REPUBLIC OF ZAMBIA
7. THE FEDERATION OF RHODESIA & NYASALAND  
(DISSOLUTION) ORDER IN COUNCIL 1963
8. ZAMBIA INDEPENDENCE ORDER 1964
9. CONTROL OF GOODS ACT 1954
10. REPUBLIC OF ZAMBIA (MODIFICATION AND ADAPTATIONS)  
(CUSTOMS AND EXCISE) ORDER (1965)
11. TERRITORIAL LAWS AMENDMENT ACT NO. 6 1954
12. CUSTOMS AND EXCISE DUTIES ACT NO 11 1954
13. CUSTOMS AND EXCISE ACT NO. 16 1955
14. CURRENCY AND EXCHANGE CONTROL (TEMPORARY) ACT 1961
15. EXCHANGE CONTROL ACT 1948
16. CUSTOMS AND EXCISE (SPECIFIED COUNTRY CONTENT)  
(REVOCATION) ORDER 1966