



# Trade News Bulletin

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Building the capacity of ACP Countries in Trade Policy Formulation, Negotiations and implementation (“Hub and Spokes”) Project

### **Japan to appeal WTO panel ruling on dumping row with U.S.**

The Japanese government said Tuesday it will appeal a decision by the World Trade Organization's dispute settlement panel that has partially permitted a U.S. method of calculating antidumping duties challenged by Japan. Japan will file the appeal with the WTO Appellate Body, the Geneva-based institution's last-instance panel, as early as Wednesday, the government said. The appellate body is expected to pass judgment early next year. Under the calculation method, known as "zeroing," the U.S. government determines all transactions by a foreign company as dumping if they include a transaction made below home market prices, ignoring others made at fair market value.

Complaining that the method improperly increases the possibility of dumping determination, Japan brought the dispute to the WTO troubleshooting panel.

In its final report, the panel in September upheld Japan's argument that using the zeroing method for the initial dumping investigations violates WTO rules, and urged the United States to correct the practice. But it stopped short of declaring illegal the use of the method in administrative reviews of antidumping duties.

In a similar wrangling over the zeroing method, the European Union has won a determination by the WTO Appellate Body that the U.S. practice contravenes WTO rules.

**Source: Jiji Press, Japan, 10 October 2006.**

### **Mandelson mulls WTO piracy case against China**

European Union trade commissioner Peter Mandelson has threatened to take China to the World Trade Organisation (WTO) over patent infringements.

Mandelson says he "reserves the right to take a case to the WTO" over patent piracy. Amidst a battle over physical goods currently centred on cheap shoe imports, Mandelson is opening up another front against China relating to intellectual property, which he says is not respected well enough in China. "They're starting to take much firmer action against Chinese companies ripping off other Chinese companies, but what I want them to do is apply the same standard to European companies," Mandelson told newswire Bloomberg.

The European Chamber of Commerce in China represents 1,000 companies, 91 per cent of which have been affected by trademark or copyright theft, according to a recent survey.

Mandelson said that Chinese intellectual property law is not the problem; it is the enforcement of that law which could lead to a WTO case. "The law exists, but it needs to be enforced," he said. The EU says that copyright and trademark violating business is worth €360bn a year worldwide. The EU claims that there is €360bn worth of trade carried out a year worldwide which violates copyright and trademark protections. It believes that around 70 per cent of those counterfeit goods which end up in Europe originate in China.

It has had several recent summits with the US in an attempt to address the problem. Last June the US and the EU agreed to co-operate more closely in an attempt to fight piracy of all kinds. "We are out of time now on intellectual property and counterfeiting," US Chamber of Commerce president Tom Donohue said at the time.

In a separate trade battle with China, the EU last week imposed duties on shoes made there in a bid to protect European shoe makers against what they call unfairly low prices.

**Source: Out-Law News, Brussels, 10 October 2006.**

### **Vacancy: A catalyst to make global trade fair**

The Commonwealth is a multinational organisation that is little known outside of its 53 member states. Yet, it has the potential to fill a big vacancy in today's world; the need for a catalyst to restart the suspended global trade negotiations with an emphasis on development.

Negotiations at the World Trade Organisation (WTO) effectively collapsed on 24 July when six lead countries failed to bridge major differences amongst themselves particularly over agricultural subsidies. The six were - the United States, the European Union (EU), Japan, Brazil, Australia and India.

Although trumpeted as a “development” round since November 2001 when the negotiations began, the talks amounted to nothing more than manoeuvring for national competitive advantage particularly by the US and the EU, although Brazil and India – the two large developing countries in the mix – have not been shy in advancing their own interests, often claiming concessions that should rightly be accorded only to poor developing countries or small states.

It was not until last November, four years after the negotiations started, that a commitment was given to provide poor countries with duty-free and quota free access for their crucial exports. Of course, this commitment is an empty one at the present time, since, in the absence of a settled agreement, nothing is being implemented.

What the WTO negotiations need is a wide measure of agreement amongst a large number of countries on a blueprint for restarting the talks and taking them to conclusion. The blueprint should arise from a study by trade experts that focuses on opening markets globally, while providing for the development needs of poor countries and small states. In particular, the study should examine how developing countries can minimise transaction costs and lessen the impact on their business sectors through the pacing and sequencing of liberalisation.

The study should also take full account of the difficulties that now exist for the US and the EU on agricultural subsidies and propose practical ways of dealing with them.

The Commonwealth is in a unique position to fill the vacancy for a catalyst that could make the WTO negotiations meaningful for all nations, in particular, poor countries and small states.

With 53 countries accounting for 30 per cent of the world’s population and some 20 per cent of its international trade and investment, Commonwealth trade is well over US\$2 trillion. Commonwealth members include some of the world’s richest nations, such as Britain and Canada; some of the poorest such as Bangladesh and Guyana; some of the larger developing countries - India, South Africa and Nigeria among them; some of the South East Asian “tigers” such as Singapore and Malaysia and many small island states like those in the Caribbean and the Pacific.

Further, the heads of government of these countries have long acknowledged that “the Commonwealth can play a dynamic role in promoting trade and investment so as to enhance prosperity, accelerate economic growth and development and advance the eradication of poverty in the twenty-first century”.

They said so when they met in the United Kingdom in 1997. And, when they last convened in Malta in November last year, they pledged their “global influence” to achieve progress in the WTO talks. Members of the Commonwealth are also members of the EU, the African Caribbean and Pacific Group, the Organisation for Economic Cooperation and Development, the Association of South East Asian Nations, and the Organisation of American States to name a few.

Their influence, if exercised by their member states, is indeed “global”, and consensus by them that is advanced vigorously in the other geographical and political groups to which they belong, stands a real chance of getting a positive hearing.

A former Commonwealth Secretary-General, Sir Shridath Ramphal, famously said, “The Commonwealth cannot negotiate for the world, but it can help the world to negotiate.”

What has been missing so far in the WTO negotiations since 2001 is consensus. The talks have been characterised by mistrust and suspicion, aggravated by the way in which they have been conducted with only a small number of powerful countries meeting behind closed doors to hammer out deals in their national interest that they then try to convince others to accept.

If consensus can be achieved by the 53 Commonwealth countries, it would be enormously beneficial to

the building of consensus in the WTO.

There are several precedents for the Commonwealth to take action now that global trade talks have stalled at the WTO. When apartheid gripped South Africa and the major nations of the world were divided on how to tackle the issue, the Commonwealth played a major role in uniting the world's governments behind a strategy that eventually saw apartheid crumble; when debt crippled development in many states throughout the world and crushed millions of people in deep suffering, the Commonwealth helped to devise a global strategy for debt relief.

Further, expert reports commissioned by the Commonwealth on a range of issues including the vulnerability of small states, democracy and development have informed the policies and work of governments as well as international institutions such as the World Bank and the International Monetary Fund.

In this context, an initiative by the Commonwealth to produce a blueprint for moving forward the present stalled international trade negotiations should be welcomed and supported by all, especially the WTO Secretariat.

Such an initiative, however, requires the active participation of trade ministers from countries such as Canada, India, Australia and South Africa. One of these four – or indeed all of them – should take on the mantle of leadership on this issue and give the Commonwealth Secretariat the mandate to organise an expert study followed by a Commonwealth Trade Ministers meeting to develop the required consensus.

The experts to produce the study exist throughout the Commonwealth. From the Caribbean, for instance, the Regional Negotiating Machinery (RNM) can make a meaningful contribution to a blueprint for action in which the development dimension is prominent. And has occurred with previous studies, there is every reason why the WTO Secretariat, the World Bank and the IMF should provide both financial and human resources to help produce such a study.

A catalyst is required now to help shape a new approach to the suspended WTO negotiations talks. Delivery of a development dividend should be central to their objectives for, as the current Commonwealth Secretary-General, Don McKinnon, has observed: “800 million Commonwealth citizens subsisting on less than US\$1 each day would countenance nothing less”.

**Source: Sir Ronald Sanders is a former Caribbean diplomat, business executive**

**WTO delays Internet gaming ruling**

With mounting pressures from the US, the gaming industry is waiting with bated breath for the ruling of a World Trade Organisation (WTO) panel, but delays in the process mean that the panel's response may now be months away.

Antigua's legal representative in its WTO Internet gambling dispute with the US, Mark Mendel, has indicated that, for a variety of reasons, the panel's review of US legislation, originally expected to be completed in a three month period, has been delayed. Mendel expressed the opinion that the panel's decision is now unlikely to be given before January or February of 2007. The panel begun its deliberations at the beginning of September and was expected to render a decision early December.

In the meanwhile, Mendel and local gaming authorities are seeking support in their fight against what they term US protectionism, stressing that despite the focus on Internet gaming sector, the issue at hand is not the morality or immorality of gambling. "The key is that it's not really about morals; it's not about really about gambling, it's about fair trade. We're a very small country with very limited assets. We have been willing to be very accommodating to the US in working out some kind of settlement and I just think it's about fairness," Mendel said.

Mendel expressed concern that the issue of fair trade is easily clouded when it is so closely tied to such a controversial industry as gambling, but said that the recent actions of the US government have raised the profile of the trade issue and were likely to gain allies for Antigua & Barbuda as a result. "I think this bill is going to make it worse for the US because it has already raised the hackles of people in Europe and it has brought the issue out to the forefront where it increases our ability to discuss it publicly. That's been difficult before, because it's hard to raise the profile of the issue, but now they themselves have put it square out front and it's going to give us an opportunity to talk about how discriminatory the US is being, how unfair their laws are and, using assistance from other countries, put pressure on them to actually deal with the issue fairly and satisfactorily," he said.

**Source: Reuters, Antigua, 10 October 2006**

**Denmark Gives \$2.37 Million to WTO**

Denmark announced a donation of \$2.37 million (DKK 14 million) to support the WTO's technical assistance and training activities in developing countries.

The Danish government has pledged to give the donation in two contributions. The first half, which amounts to approximately \$1.18, will be used for the Doha Development Agenda Global Trust Fund. This fund finances technical assistance and capacity building activities in least developed countries, or countries whose economies are currently under transition, said the WTO. "I express my sincere thanks the Danish government for its generosity. Such assistance is vital to enhance developing countries' participation in the global trading system," said WTO Director-General in a statement.

The second half of the donation will help developing countries improve sanitation and their health situation. This will be done through the Standards and Trade Development Facility.

**Source: International Business Times, 10 Oct, 2006**

### **India to ease market access for 50 Developing countries.**

India is set to roll out duty-free, quota-free market access for 50 least developed countries (LDCs) from Africa and Asia. The economic-diplomacy is expected to win not just hearts, but also the support of these poorer nations at multilateral fora like the United Nations and the World Trade Organisation (WTO). On the domestic front, the move could face resistance from certain sections of the industry especially small players as import competition would increase once these countries start tapping the Indian market.

A proposal to open up the Indian market to LDCs would be taken up soon by the Cabinet Committee on Economic Affairs (CCEA), highly-placed government sources said. The customs duty concessions would be rolled out from 2007, completely eliminating all tariffs in five years. The commerce & industry ministry has submitted a detailed note to the CCEA on the basis of inputs provided by the trade and economic relations committee (TERC) headed by prime minister Manmohan Singh. India does not want any reciprocity for the concessions which are purely voluntary.

To check criticism from the local industry and farmers, the ministry has proposed a negative list of 776 items which would not be covered by the tariff concessions. In effect, agricultural products and goods produced by small units would be protected from increasing competition. The move is being accorded great significance within the government as it gels with the prime minister's south-south co-operation plank. Also, India would be in a position to muster substantial support for its bid for a permanent berth in the UN Security Council.

**Source: Times News Network 10 October 2006**

### **Economists in plea to open up food markets**

About 100 professional economists in the UK have called on rich countries to kick-start the stalled world trade talks by opening up their food markets.

In a letter to The Independent newspaper today, they say any delay in a deal to cut agricultural tariffs and subsidies would condemn poor countries to a "cycle of poverty".

The plea comes as negotiators from the 149 members of the World Trade Organisation meet today at its Geneva HQ for a meeting of its General Council. In the letter they say: "We urge heads of government to agree on mutually advantageous policy reforms that lead to less-protected and less-subsidised agricultural and food trade. "Further delay condemns many to a continuing cycle of poverty, denying them the opportunities for further development and economic growth. Countries have immense responsibilities for the external effects of their domestic policies."

The letter was drafted by David Harvey, a professor at the University of Newcastle, along with Professors Secondo Tarditi of Siena University and Ulrich Koester of the University of Kiel in Germany. It was signed by economists from the US, Europe, Australia and Russia. The council will receive an update on the state of talks from Pascal Lamy, the WTO director general. It is likely to be a gloomy address as there have been no talks since July when a meeting of the "Big Six" - the US, EU, Japan, Brazil, Australia and India - aimed at providing a fresh start to the talks ended in acrimony.

Meanwhile, the EU appears intent on pursuing bilateral trade deals in face of criticism that this shows its commitment to a multilateral deal is weakening.

**Source: The Independent, UK, 10 October 2006**

### **Iran bans rice imports**

Iran has imposed a ban for a period of two months on import of all kinds of rice varieties from all rice producing countries, including Pakistan in a bid to provide protection to the local farmers.

Secretary Commerce Syed Asif Shah told Dawn on Saturday that the issue had been taken up with the relevant quarters but he said that it was found that the ban was for all countries and was not Pakistan specific only. Mr Shah said that as Iran was not a member of WTO, such action of Tehran could not be challenged. However, he said that the ban would have a lesser effect on Pakistan's export of rice to Iran. Rice exporters, however, expressed the fear that the ban was expected to cause millions of rupees loss to Pakistan.

**Source: Reuters, Islamabad, 9 October 2006.**

### **Indonesia Pays off IMF Debt**

The Indonesian government has decided to pay off the remaining debts from the International Monetary Fund (IMF) totaling 3.2 billion U.S dollars, the central bank chief said. "So next week we owe nothing to the IMF. After completing the early repayment, we will stand at the same level of playing field. We are no longer a troublesome member," Bank Indonesia Governor Burhanuddin Abdullah was quoted Friday by the major economic daily Bisnis Indonesia as saying.

The IMF debt falls due in 2010. The repayment will save the country some 500,000 dollars from this year's interest payments, which were expected to reach 22 million dollars. The early repayment is supported by the country's stronger foreign exchange reserves, reaching 42.36 billion dollars at the end of the third quarter this year. "This figure is sufficient to finance imports for 4.6 months, as well as to pay off debts," he said.

The central bank on Thursday projected that the balance of payment would enjoy a surplus of 13.2 billion dollars and the foreign exchange reserves would reach 43.3 billion dollars at the end of this year.

**Source: Xinhua, China, 9 October 2006.**

### **Exports surge after US free trade deal**

The Australia-US free trade deal appears to be bearing its first fruit, with millions in extra exports of meat, car parts, motor boats and even oranges since the deal started last year.

Exports of Australian goods that benefited from immediate tariff reductions when the preferential trade deal came into effect last year have grown, with some nearly doubling in 12 months. While officials from the Department of Foreign Affairs and Trade stressed it would take years before the full effects of the deal were felt, data from its latest quarterly publication, Trade Topics, show the elimination of some tariffs are bringing gains.

Companies trying to win US government contracts are also finding it easier to break in.

Exports of sheep meat to the US rose from \$190 million to \$212 million last year, after the 2.8c-a-kilogram tariff was eliminated. After the 1.9c-a-kilo tariff on fresh and dried oranges was removed, exports jumped from \$38 million to \$43 million.

The value of motorboat exports nearly doubled from \$42 million to \$71 million, while sales of items such as parts for spark plugs jumped from \$11 million to \$21 million over the year. Overall, Australia's sales to the US fell last year, because of the continued diversion of Australian beef previously intended for America to Japan and South Korea as a result of the mad cow scares earlier this decade. Motor vehicle sales to the US also fell, primarily because of the withdrawal of the Mitsubishi Magna from the US market.

But when these non-FTA matters are excluded from the figures, overall Australian goods exports to the US rose 4 per cent last year. The FTA gave Australian firms full access to the \$200 billion US government contract market. The report found that in 2005-06 Australian firms won \$95 million worth of contracts.

**Source: Reuters, Sydney, 9 October 2006.**

## **EU may challenge China at WTO on piracy of patents**

China needs to crack down on the piracy of European patents and trademarks or it will face a legal challenge at the World Trade Organisation, European Union trade commissioner Peter Mandelson said. Only 9% of 1,000 companies represented by the European Chamber of Commerce in China haven't been affected by trademark or copyright theft, a survey found last month.

“They're starting to take much firmer action against Chinese companies ripping off other Chinese companies, but what I want them to do is apply the same standard to European companies,” Mandelson said in an interview late on Wednesday in Brussels. “I reserve the right to take a case to the WTO.”

China's growing trade strength and doubts about its willingness to respect trade rules have fed protectionist sentiments in the EU, whose trade deficit with China swelled to a record 57.6 billion euros (\$73.2 billion) in the first six months of 2006.

On Wednesday, the EU imposed import duties on Chinese shoes and sneakers to protect manufacturers in the 25-nation bloc from what it says are unfairly low prices. “The law exists, but it needs to be enforced,” Mandelson said of China's patent infringements. Violations of copyright and other rules designed to protect inventions and brands from illegal imitation account for as much as 360 billion euros in unlawful trade each year, depriving legitimate business of income, according to the EU. About 70% of counterfeited goods imported into the bloc originate in China, the EU has said.

Last November, the EU said customs officials had seized 500 tonnes of counterfeited products from golf clubs to mobile phones in a two-month campaign against Chinese infringements of intellectual property law.

**Source: Bloomberg, US, 6 October 2006.**

**Ambitious WTO deal unlikely under current rules: French official**

French junior trade minister Christine Lagarde said that an "ambitious conclusion" to the latest round of WTO talks to free up global trade is unlikely under existing rules of the organization. Lagarde, speaking to AFP on the sidelines of a global business symposium in Washington, said the stalled Doha Round of World Trade Organization talks have little chance of reaching a breakthrough under the current system, which requires a consensus of the 149 WTO members. "I believe it will be difficult, without changing the rules, to reach an ambitious conclusion," Lagarde said.

The talks were suspended after the so-called Group of Six -- Australia, Brazil, the European Union, India, Japan and the United States -- failed to settle their spats.

The Doha Round of multilateral trade talks began in the Qatari capital at the end of 2001, with the goal of reducing subsidies, tariffs and other barriers to commerce and raising living standards in developing countries.

But the talks have consistently been dogged by disputes between rich and poor nations, as well as among wealthy players such as the United States and the European Union, over the concessions required.

Lagarde said some of the rules making a global deal unlikely included the number of participants, the need for a consensus and the principle of one country, one vote. "I think we need to re-examine each of these three elements," she said, adding that "I don't have a solution today to propose, I am simply stating the difficulty we face with the current suspension."

Lagarde was set to meet this week with US Trade Representative Susan Schwab to discuss the WTO stalemate, among other things.

**Source: AFP, Washington, 10 October 2006**

### **Ethiopia Passing Key Steps to Join WTO - Official**

Minister of state for Ministry of Trade and Industry Ahmed Tussa said on Thursday that the country is taking key steps that would enable it realize its membership to the World Trade Organization (WTO). He said Ethiopia is on the right track through preparing study-based documents and undertaking capacity building programmes with a view to realizing its accession to the WTO. According to him, a document that shows the country's foreign trade system, which is needed to be submitted on the negotiations to become member of the WTO, has been prepared and presented to the Council of Ministers. Deputy Charged' Affairs of the U.S. Embassy, Janet Wilgus said in addition to increasing the export goods and foreign currency earning, the opportunity Ethiopia got to join the WTO would enable it enhance its development endeavors. "Joining the organization would also boost the country's trade and investment activities," Wilgus said.

**Source: The Reporter, Addis Ababa, 9 October 2006**

## **South-South Ties Boost Africa's Development**

The World Bank says a recent, massive increase in African trade and investment by Asia's two emerging economic giants, China and India, holds great potential for growth and job creation in Africa, if significant asymmetries within the regions' relationships are resolved.

A study, themed Africa's Silk Road: China and India's New Economic Frontier, released by the bank last month, recommends an array of trade and investment reforms within and between both regions to deepen the growing South-South ties and address imbalances that could prevent African economies benefiting from the increasingly important roles China and India play in the global economy. Based on new evidence on the operations of Chinese and Indian businesses in Africa, the study finds Asia now receives 27% of Africa's exports, triple the amount in 1990 -- the level is almost on par with Africa's exports to the US and European Union (EU), Africa's traditional trading partners.

Meanwhile, Asian exports to Africa are growing 18% a year, faster than to any other region in the world. China and India's foreign direct investments in Africa are more modest than trade flows, but they are also growing very rapidly, the study shows. "This new 'Silk Road' potentially presents to Sub-Saharan Africa -- home to 300-million of the globe's poorest people and the world's most formidable development challenge -- a significant and, to date, rare opportunity to hasten its international integration and growth," said Harry G Broadman, World Bank Africa Region Economic Advisor and author of the study. This new economic frontier extends beyond trade and investment in natural resources, according to new data presented in the study. China and India's commerce with Africa is opening up the way for the Sub-Saharan continent to become a processor of commodities and a competitive supplier of labour-intensive goods and services to Chinese and Indian firms and consumers -- a major departure from Africa's long established economic relations with the North.

Moreover, a growing number of Chinese and Indian businesses active in Africa are operating on a global scale, working with world class-technologies, producing products and services according to the most demanding standards, and fostering the integration of African businesses into advanced markets. Still, there is a significant unevenness in the emerging commercial relationships between the two continents. African exports to Asia constitute only 1,6% of what Asians buy from the rest of the world, and China and India's African purchases total only 13% of Africa's total exports.

Africa accounts for only 1,8% of the world's foreign direct investment flows, while 20% of the world's foreign direct investment goes to East Asia. "It is imperative that both sides of this promising South-South economic relationship address asymmetries and obstacles to its continued expansion through reforms," Broadman said. "This is not only in the best interests of Africa's economic development, but in China and India's own economic fortunes."

The study details a series of reforms that should be undertaken by all the countries: "At-the-border" reforms, such as elimination of China and India's escalating tariffs on Africa's leading exports; and elimination of Africa's tariffs on certain inputs that make its own exports uncompetitive. "Behind-the-border" reforms in Africa, to unleash competitive market forces, to strengthen its basic market institutions as well as to improve governance. "Between-the-border" improvements in trade facilitation infrastructure and institutions to decrease transactions costs, such as customs administration, transport and communications. Reforms that leverage linkages between investment and trade to allow African businesses' participation in modern global production-sharing networks generated by Chinese and Indian investments in Africa.

**Source: Business Day, Johannesburg, South Africa, 4 October 2006**



## **SADC Tariff Reduction Policy to Be Unveiled**

Zimbabwe will soon unveil a Southern Africa Development Community tariff phase down policy to adhere with the proposed regional grouping's trade protocol aimed at liberalising the movement of goods and services by 2008.

The Minister of Finance, Dr Herbert Murerwa, yesterday said the tariff reduction system would be introduced after the finalisation of talks with stakeholders. "Consultations with key economic players about the Sadc tariff phase down structures are at an advanced stage and a fresh custom duty reduction policy will soon be unveiled," he said.

Although he would not be drawn into revealing further details about the custom duty structures on Sadc imports, officials disclosed the Government was likely to announce the system in the 2007 National Budget scheduled for December 1. Local industrial representative bodies such as the Zimbabwe National Chamber of Commerce (ZNCC), Confederation of Zimbabwe Industries (CZI), Government ministries and the civic society were providing input about the custom duty reduction mechanisms.

In terms of the Sadc trade protocol, all the 14 member nations would be required to slash custom duties to zero percent. The protocol was proposed by Sadc member states in 2000 as an initiative to boost regional trade and facilitating economic development. Apart from the Sadc trade protocol, the regional bloc has proposed a Preferential Trade Area by 2008 and a Common Market by 2016.

The Sadc secretariat was worried that many Sadc nations were lagging behind in implementing the tariff phase down structures. The slow growth in terms of industrial activities and economic crisis have kept some nations from taking steps to achieve a free trade zone by 2008. Analysts said relaxed custom duty policies, visa requirements, proper transport infrastructure and communication among the Sadc countries would boost regional trade and increasing competitiveness of local industries. "Only smooth tariff systems will enable member nations to benefit and increasing exports," said Mr Witness Chinyama, group economist for Kingdom Financial Holdings Limited (KFHL).

Intra-Sadc trade totals around 10 percent of the region's trade volumes.

SADC is comprised of Angola, Botswana, the Democratic Republic of Congo (DRC), Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.

**Source: The Herald, Harare, Zimbabwe, 9 October 2006.**