



WORLD TRADE
ORGANIZATION



Enhanced Integrated Framework

Trade for LDC development

Trade impacts of LDC graduation

ZAMBIA

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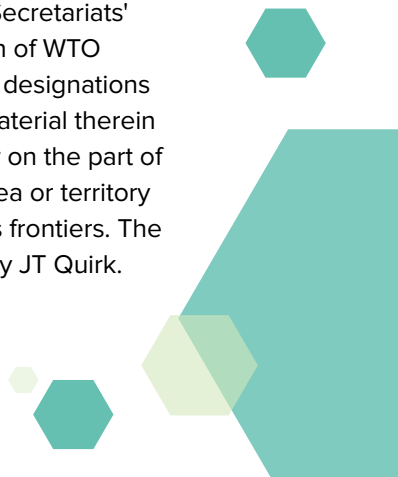


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Introduction

Over the past two decades prior to the COVID-19 pandemic, Zambia has experienced robust economic growth, averaging to 8.8 per cent per annum. In 2021, Zambia met the criteria for graduation from the least developed country (LDC) category for the first time at the Triennial Review of the United Nations Committee for Development Policy (CDP), by exceeding the graduation thresholds for Gross National Income (GNI) and Human Assets Index. At the same time, the country remains economically vulnerable, with an Economic Vulnerability Index reading of 41.7, whilst the maximum for graduation is 32.

If Zambia meets the graduation criteria for the second consecutive time at the 2024 UN CDP Triennial Review, it may

be recommended for graduation. After endorsement by the UN Economic and Social Council (ECOSOC) and General Assembly, graduation takes effect following a preparatory period determined by the latter.¹ Depending on the transition period to be considered by CDP members, Zambia may graduate from the LDC category in 2027 at the earliest.²

Zambia is eligible to use LDC-specific flexibilities available in the World Trade Organization (WTO). This may not be the case following graduation from LDC status. This note aims to support policy makers to understand possible trade-related impacts of LDC graduation for Zambia. It sheds light on possible impacts of Zambia's graduation on market access, WTO rules and Aid for Trade.

Table 1: Progress towards LDC graduation

	GRADUATION THRESHOLD	2021
Gross National Income (GNI) per capita	US\$ 1,274	US\$ 1,411
Human Assets Index (HAI)	66 or above	67.41
Economic Vulnerability Index (EVI)	32 or below	41.7

Source: UN CDP Report on the twenty third session (2021), [E/2021/33](#)

1. Impact on market access

During the decade 2011-2020, Zambia's exports contracted by 3 per cent, reaching US\$ 7.8 billion in 2020. Meanwhile, its services exports contracted by 2 per cent, to US\$ 554 million.

Zambia's merchandise exports remain highly concentrated in a few products and markets. Its exports are dominated by copper, which represented nearly three quarters of the country's total exports in 2020. Other exports include tobacco, energy products, and refined sugar, representing between 1 per cent and 1.5 per cent of the country's exports. Such dependency on a single commodity exposes the Zambian economy to serious external shocks.³

In 2020, services represented only 6 per cent of Zambia's total exports, with travel accounting for nearly three quarters of total exports, followed by other commercial services (17.3 per cent) and transport (8 per cent).

In terms of key partners, Switzerland remains Zambia's top trading partner, taking over 40 per cent of its exports, followed by China (18.7 per cent) and

the Democratic Republic of Congo (12.4 per cent).

Since 2007, Switzerland has offered duty-free quota-free (DFQF) market access to LDCs. In 2019, Zambia supplied over 99 per cent of Switzerland's raw copper and close to 77 per cent of its refined copper. In 2020, Switzerland offered DFQF market access to LDCs for 100 per cent of tariff lines.⁴ After graduation, Zambia will be eligible to benefit from Switzerland's Generalized System of Preferences (GSP) available to developing countries. Following graduation, Zambia will continue exporting raw and refined copper to Switzerland nearly duty-free, as Switzerland's applied most-favoured-nation (MFN) tariffs on raw copper and on refined copper are nearly duty-free.

Since 2010, China has provided a DFQF scheme to LDCs. In 2020, it offered DFQF market access to LDCs for 96 per cent of tariff lines.⁵ China has indicated it will continue to provide DFQF access to graduated LDCs for a period of three years after their graduation. Zambia currently supplies around one third

of China's unrefined copper supplies. Zambia's graduation from LDC status is likely to have a limited impact on these exports, as average MFN applied tariffs on unrefined copper in China are around 1.6 per cent.

Zambia is party to two regional trade agreements (RTAs) notified to the WTO: the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC). At the same time, Zambia's trade with its regional partners remains limited to the Democratic Republic of Congo for exports and to South Africa for imports.

In 2021, Zambia ratified the African Continental Free Trade Area (AfCFTA) agreement. AfCFTA allows LDCs extra time to implement the agreement. For example, LDCs have twice as long – ten years versus five – to cut tariffs compared with other AfCFTA parties.

They also have a longer timeframe to cut tariffs on sensitive products, i.e. 13 years versus ten years for other AfCFTA parties. Zambia has already finalized the development of its AfCFTA implementation strategy. By the time Zambia graduates from LDC status, the duration of LDC-specific timeframes under AfCFTA will be coming to an end.

Regarding trade in services, Zambia is eligible to benefit from preferential treatment for LDC services and services suppliers under the LDC Services Waiver. Currently, 25 members (counting the EU as one) have notified measures under the LDC Services Waiver. A preliminary examination of these notifications suggests that most of the notified measures reflect the applied MFN regime. Limited availability of data makes it difficult to assess whether LDCs used the measures notified under the LDC Services Waiver.

2. Matters related to WTO Agreements

Zambia has been a member of the WTO since 1995.⁶ As an original member of the WTO, Zambia has benefited from significant policy flexibility. Zambia has bound 17.5 per cent of its tariff lines. The average bound tariffs exceed 100 per cent. At the same time, the average applied tariffs are only 12.9 per cent. Zambia has also made specific commitments in 16 out of 160 services sub-sectors, which is significantly below the LDC average of 33. Zambia has made commitments in the following services sectors: business, construction and related engineering, health, and tourism. Graduation from LDC status will not affect Zambia's concessions and commitments in goods and services.

Trade-Related Aspects of Intellectual Property Rights (TRIPS)

Zambia benefits from policy flexibilities available to LDCs to implement the TRIPS Agreement. Under the TRIPS Agreement, LDCs were granted an 11-year transition period that expired in 2006. This transition period was extended three times, in 2005, 2013

and 2021. The latest extension lasts until 1 July 2034, or until the member ceases to be an LDC, whichever comes first. Zambia also benefits from a specific transition period for pharmaceuticals. In addition, Zambia has been exempted from mailbox and exclusive marketing rights requirements. Currently, these flexibilities last until 1 January 2033, or until the member ceases to be an LDC if that happens before 2033. Following graduation, these flexibilities will not be available. Evidence suggests that Zambia had already taken steps and enacted several intellectual property (IP) related laws (Annex, Table 1). Following graduation, Zambia would also have to meet notification obligations under the TRIPS Agreement which would be subject to review by the TRIPS Council.

Zambia also benefits from the LDC-specific flexibilities available under the TRIPS Amendment. Zambia ratified it in 2009. The Amendment entered into force in 2017. The TRIPS Amendment enables Zambia to use the system of compulsory licences to export to countries with limited manufacturing capacity. A notification is required for

using this system. The notification must include: i) an intent to use the system; and ii) the existence of limited manufacturing capacity. LDCs are only required to notify intent to use the system, as they are deemed to have insufficient manufacturing capacity. In addition, if a developing country or LDC produces or imports pharmaceuticals under this system and it is also part of a regional trade agreement with half of its members being LDCs, the country can export to other members of that RTA with the same health problem without further notification. If Zambia intends to use the system of compulsory licences following graduation, it will have to notify its intent and the existence of limited manufacturing capacity. As per available information, Zambia has not used the system so far.

Zambia is also eligible to benefit from the technology transfer provision (Article 66.2). This provision requires developed country members to provide incentives to enterprises to promote technology transfer. Every year developed country members provide reports on their efforts. Zambia has been mentioned in over 180 reports from Australia, Canada, the European Union, Japan, New Zealand, Norway, Switzerland, the United Kingdom, and the United States. In preparing for its smooth transition strategy, Zambia could map out some of the LDC-

specific programmes that had been particularly useful for the country and reach out to its trading partners to explore how they could continue to benefit from such programmes.

Agriculture

Under the Agreement on Agriculture, Zambia, as an LDC, has greater flexibility in providing its domestic support notifications, i.e. every two years instead of annually. Zambia's current compliance rate for providing such notifications is 67 per cent.⁷ Following graduation, Zambia will have to submit its domestic support notifications every year.

As an LDC, Zambia enjoys greater flexibility in implementing the 2015 Nairobi Ministerial Decision on Export Competition, which established a path for abolishing agricultural export subsidies. Greater flexibility has also been provided to net food-importing developing countries (NFIDCs) listed in G/AG/5/Rev.10. LDCs and NFIDCs have until 2030 to phase out certain agricultural export subsidies (subsidies to reduce marketing and transport costs). In addition, these flexibilities allow them to have longer repayment terms for the acquisition of basic foodstuffs (36-54 months) and to monetize international food aid to redress food deficit requirements or

to address insufficient agricultural production that causes malnutrition. Following graduation, Zambia will not be able to benefit from these flexibilities. According to the latest notification, Zambia does not provide agricultural export subsidies.⁸

Subsidies and countervailing measures

The Agreement on Subsidies and Countervailing Measures (SCM) does not allow members to use non-agricultural export subsidies. LDCs are exempted from this prohibition (Article 27.2 and Annex VII (a)). In addition, several developing country members identified in the list of Annex VII (b) are also eligible to benefit from this exemption until their GNI per capita reaches US\$ 1,000 in constant 1990 dollars for three consecutive years. In 2015, Zambia notified that it neither provided nor introduced any non-agricultural export subsidies.⁹ In the absence of such a policy, the impact of graduation is rather limited.

Trade facilitation

Zambia ratified the Trade Facilitation Agreement (TFA) in 2015 and submitted most of its notifications. It is yet to notify the arrangements and the progress on the provision of technical assistance, including in the area of category C

notifications. As of 18 March 2022, Zambia had implemented 30.8 per cent of the TFA implementation. Of this, 20 per cent required additional time (category B). Close to 70 per cent of Zambia's commitments under the TFA were identified for future implementation, predominantly requiring technical assistance (category C, future implementation).

Zambia's graduation from LDC status will have limited impact on TFA implementation. The last LDC-specific timeframe for notifying definitive dates for category C commitments will end on 22 August 2022. At the same time, Zambia will remain eligible for using TFA flexibilities, i.e. the Early Warning Mechanism and shifting between B and C categories, albeit with a reduced timeframe for automatic extension and less flexibility in terms of notification requirements.

Dispute settlement

Zambia is eligible to use LDC flexibilities available under the Understanding on Rules and Procedures Governing the Settlement of Disputes, commonly referred to as the Dispute Settlement Understanding (DSU). Under the DSU, WTO members are required to exercise due restraint in bringing up cases involving LDCs. In addition, LDCs can request the good offices of

the WTO Director-General or the Chair of the Dispute Settlement Body before the establishment of a panel. Following graduation, Zambia will not be able to avail of the LDC flexibilities under the DSU. At the same time, Zambia's participation in the WTO dispute settlement has been limited. Zambia has participated in two disputes as a third party.¹⁰

Selected institutional aspects

WTO members' contributions to the WTO budget are based on their share in world trade. Zambia's annual contribution to the WTO budget is unlikely to change and would not change as a consequence of graduation.

Zambia will not be eligible for travel support (travel, accommodation and per diem) to participate in the WTO Ministerial Conferences after graduation from LDC status. Such support covers the participation of the trade minister and two high-level government officials from each eligible LDC.

Technical assistance

LDCs, including Zambia, are the main beneficiaries of WTO technical assistance. Besides benefitting from technical assistance offered to developing countries, LDCs are eligible to benefit from thematic courses for LDCs as well as national activities. Officials from LDCs remain priority beneficiaries of WTO internship programmes.

In preparing for graduation, Zambia may wish to map out the key trade-related aspects that would require technical assistance. In this context, Zambia could consider looking into the notification requirements in the areas of agriculture, subsidies and countervailing measures, and TRIPS.

Following graduation from LDC status, a wide range of WTO technical assistance will remain available. Effective use of WTO technical assistance activities could positively contribute to ensuring a smooth transition.

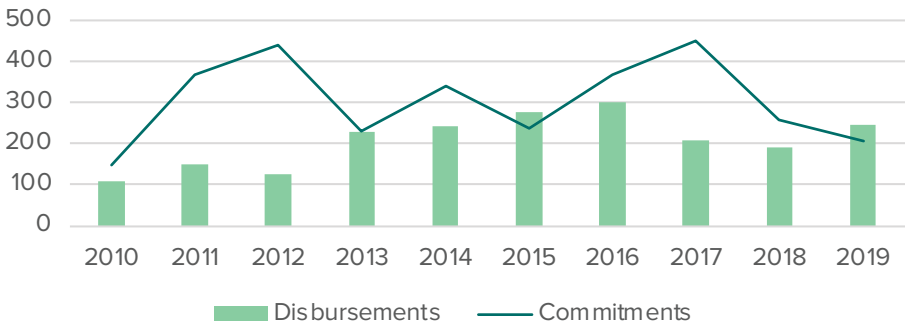
3. Aid for Trade

Aid for Trade to Zambia has evolved considerably over the years. Following a steep increase in 2017, Aid-for-Trade commitments have been in decline, reaching US\$ 207 million in 2019. Meanwhile, Aid-for-Trade disbursements have been on an upward trend, reaching US\$ 246.5 million in 2019. In 2019, the top three Aid-for-Trade providers accounted for over 60 per cent of Zambia’s Aid-for-Trade disbursements. They include the European Union, followed by the World Bank and African Development Bank. In 2019, over 88 per cent of Aid for Trade to Zambia was allocated to energy

generation, followed by agriculture, and transport and storage.

Zambia is a beneficiary of the Enhanced Integrated Framework (EIF). Since 2010, over US\$ 6.6 million have been allocated by the EIF to strengthen Zambia’s capacity to trade. Institutional strengthening has helped enable the effective planning, implementation and coordination of Aid for Trade in Zambia, the effective formulation and implementation of Zambia’s export strategy and trade policy, and the integration of trade in its National Development Plan. These activities

Figure 1. Aid-for-Trade disbursements to Zambia, US\$ million, constant prices



Source: OECD-CRS (2021)

have also facilitated the introduction of trade and development courses in public universities to equip students with skills in, amongst others, trade policy formulation and trade negotiations.

With support from the EIF, Zambia has also strengthened its productive sectors by boosting compliance with sanitary and phytosanitary (SPS) requirements and by improving the quality of honey. The government of Zambia, in partnership with the International Trade Centre (ITC) and the EIF, has been ensuring necessary training and support is provided for women entrepreneurs running agricultural and textiles-related businesses in Zambia.

Zambia is one of the beneficiaries of the Standards and Trade Development Facility (STDF). Under the STDF, LDCs have greater flexibility in terms of the co-financing threshold. The threshold stands at 10 per cent for LDCs and 20 per cent for lower-middle-income countries. Since 2007, Zambia has

developed two project preparation grants aimed at strengthening its phytosanitary capacity. Under the STDF, Zambia is currently implementing one national project grant aimed at strengthening phytosanitary capacity for plant exports. Zambia has also benefited from two regional project grants aimed at boosting trade facilitation and enhancing regulatory harmonization in the SADC. The STDF's transition mechanism for graduated countries would allow Zambia to continue benefitting from the 10 per cent co-financing threshold for a period of three years after graduation.

Zambia's graduation from LDC status will not result in major changes in Aid-for-Trade flows to the country, as Aid-for-Trade allocations depend on different criteria and not necessarily LDC status. In addition, Zambia will continue benefitting from the transition periods available for graduated countries under the EIF and STDF for a period of five and three years, respectively.

4. Concluding observations

This note provides an overview of the main trade-related impacts of LDC graduation for Zambia. It concludes that these will be rather small. The concessions and commitments made by Zambia at the time of entry to the WTO in 1995 will remain ringfenced and will not be affected by graduation. Zambia's contributions to the WTO budget will also not change, as these are based on its share in world trade.

Graduation from LDC status will not bring about significant changes in Zambia's trade patterns. Most of its existing market access conditions will be largely unaffected. First, Zambia's current exports of copper to Switzerland will continue to benefit from duty-free access, as they are mostly MFN duty-free. Second, Zambia will be eligible to benefit from a three-year transition period for sales to its second biggest export market, China.¹¹ Following this transition period, Zambia's copper exports will only face an MFN duty of 1.6 per cent. Third, Zambia trades with the Democratic Republic of Congo under regional trade arrangements, and most of the LDC-specific timeframes for implementing AfCFTA will come to

an end by the time Zambia leaves the LDC category.

Graduation from LDC status would result in more careful monitoring of obligations in the areas of agriculture and TRIPS. This is especially pertinent in the context of the notification requirements in these two areas. First, the frequency of submission of domestic support notifications would increase from bi-annual to annual. Second, the IP laws and regulations of Zambia would have to be notified and these would be subject to review by the TRIPS Council. Zambia could make more active use of WTO technical assistance in these areas in preparing for graduation from LDC status.

Aid-for-Trade flows to Zambia will largely remain unaffected after graduation. Development partners do not necessarily use LDC status in their aid allocations. A few funding facilities offer additional periods of support after graduation. For instance, Zambia will be able to benefit from transition periods available to LDC graduates under the EIF and STDF, i.e. five and three years, respectively. Zambia could use EIF support for preparing its smooth transition strategy.

Annex

Table 1: Overview of intellectual property protection foreseen by the TRIPS Agreement

INTELLECTUAL PROPERTY RIGHTS	SUBJECT	MAIN LEGISLATION IN ZAMBIA	DURATION OF PROTECTION	MINIMUM DURATION OF PROTECTION UNDER TRIPS
Copyright	Literary and artistic works (including computer programs and databases)	Copyright and Performance Rights Act, 1994	Life of author + 50 years (literary, musical or artistic work) 50 years (computer program)	Life of author + 50 years
Related rights	Performers, producers of sound recordings, broadcasting organizations	Copyright and Performance Rights Act, 1994	50 years (broadcasting) 50 years (performers) 25 years (typographical arrangement of a published edition)	50 years (performers and producers) 20 years (broadcasting)
Trademarks	Signs that are capable of distinguishing goods and services	Trade Marks Act, 1958	7 years, and after renewal, can be renewed indefinitely for further periods of 14 years	7 years, renewable indefinitely

Geographical indications	Indications that identify the geographic origin of a good, where a given quality, reputation or other characteristic of the good is essentially attributable to its origin	There is no national law governing geographical indications in Zambia	-	Unlimited, as long as conditions are met
Patents	Inventions (products or processes) in all fields of technology	Patents Act, 2016	20 years from filing date	20 years from filing date
Industrial designs	Independently created industrial designs that are new or original	Industrial Designs Act, 2016	10 years	10 years
Layout designs of integrated circuits	Design of electronic circuits (chips)	Layout-Designs of Integrated Circuits Act, 2016	10 years from the date of application for registration and may be renewed for a period of 5 years	10 years from filing date or first commercial exploitation
Undisclosed information	Trade secrets, and undisclosed data submitted to government	Competition and Consumer Protection Act, 2010	Unlimited, as long as conditions are met	Unlimited, as long as conditions are met

Source: WTO (2020), *Trade Impacts of LDC Graduation and compilation of main IP legislation in Zambia* made by Paul Baker

Abbreviations

AFCFTA	African Continental Free Trade Area	GSP	Generalized System of Preferences
CDP	Committee for Development Policy	LDC	Least developed country
COMESA	Common Market for Eastern and Southern Africa	MFN	Most favoured nation
DFQF	Duty-free quota-free	NFIDC	Net food-importing developing country
DSU	Dispute Settlement Understanding	RTA	Regional trade agreement
ECOSOC	Economic and Social Council	SADC	Southern African Development Community
EIF	Enhanced Integrated Framework	SCM AGREEMENT	Agreement on Subsidies and Countervailing Measures
HAI	Human Assets Index	STDF	Standards and Trade Development Facility
GATT	General Agreement on Tariffs and Trade	TFA	Trade Facilitation Agreement
GNI	Gross National Income	TRIPS AGREEMENT	Agreement on Trade-Related Aspects of Intellectual Property Rights

Endnotes

- 1 When the CDP recommends a country for graduation, it includes a statement on what it considers an adequate preparatory period. The standard preparatory period is three years.
- 2 More information about the LDC graduation process: <https://www.un.org/ldcportal/content/support-ldc-graduation>. On Zambia specifically, see <https://www.un.org/ldcportal/content/zambia-graduation-status>.
- 3 UNCTAD (2016). Trade Policy Framework: Zambia, Harnessing the Potential for Trade and Sustainable Growth in Zambia. United Nations Conference on Trade and Development, UNCTAD/DITC/TNCD/2015/4, Geneva.
- 4 WTO Document: WT/COMTD/LDC/W/69
- 5 WTO Document: WT/COMTD/LDC/W/69
- 6 It was a GATT contracting party from 1982.
- 7 WTO Document: G/L/223/Rev.29
- 8 WTO Document: G/AG/N/ZMB/9
- 9 WTO Document: G/SCM/253/ZMB
- 10 Australia — Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (DS434), and Australia — Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (DS435).
- 11 WTO Documents: Minutes of meeting of the WTO General Council, 26 February 2022.

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World Trade Organization
Centre William Rappard
Rue de Lausanne, 154
1211 Geneva 2
Switzerland

Tel. +41 (0)22 739 5111
Email: enquiries@wto.org
Website: www.wto.org



Executive Secretariat for the
EIF at the WTO
Rue de Lausanne, 154
CH-1211 Geneva 2
Switzerland

Tel. +41 (0)22 739 6650
Email: eif.secretariat@wto.org

