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The effects of Statutory Instrument 64 of 2016 on clearing agents based at Beitbridge Border Post in Zimbabwe.

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ABSTRACT: *The current study sought to explore the effects of Statutory Instrument Number 64 of 2016 on the business of clearing agents based at Beitbridge Border Post. The study used qualitative research and an exploratory research design. Data were collected through focus group discussions, in-depth interviews, document reviews and observations. Four basic categories of clearing agents were identified at the Beitbridge Border Post, namely, agents who worked for large firms such as multinationals and stock exchange listed firms; agents who worked for small enterprises; self-employed individuals; and the "briefcase" agent. The study revealed that the major challenges faced by clearing agents due to the introduction of Statutory Instrument Number 64 of 2016 included delays in customs formalities, loss of reputation due to unethical behavior, lack of training and skills and limited infrastructure. The researchers discovered that the effects of Statutory Instrument Number 64 of 2016 on clearing agents were loss of business due to reduced importation of goods by traders, the threat of salary cuts and job losses, worse standards of living due to increased prices of the few imported goods that found their way into the economy coupled with increases in prices of locally produced goods from nascent firms and poor quality goods. The researchers recommended that government should educate, train and equip clearing agents with knowledge and information on the requirements of Statutory Instrument Number 64 of 2016 and ensure that the customs clearing system is always functional to avoid delays.*

I. INTRODUCTION

The promulgation of Statutory Instrument 64 of 2016 on 1 July 2016 by the government of Zimbabwe through the Ministry of Industry and Commerce raised mixed feelings among local ordinary citizens, the business fraternity, politicians, civil society organisations and Zimbabwe's neighbours especially South Africa. Statutory Instrument 64 of 2016 (SI 64/2016) listed forty three product categories that required a permit when being imported into Zimbabwe. The Confederation of Zimbabwe Industries (CZI) and Zimbabwe National Chamber of Commerce (ZNCC) supported this law as a brave strategy that would ensure Zimbabwe reclaimed lost glory and set itself on an economic growth trajectory. While these objectives seemed noble and justified in the eyes of the government, especially from a paternalistic perspective, other stakeholders strongly disagreed. That is, SI 64/2016 created antagonism amongst different individuals and groups. For example, cross border traders bemoaned that their business ventures would collapse. The opposition political parties claimed that the instrument was to the benefit of the ruling party (ZANU-PF). And some ordinary citizens felt that they would be worse off, while civil society organisations opined that it was an infringement on several of their rights. The South African citizens even carried out demonstrations in solidarity with their Zimbabwean counterparts opposed to the statutory instrument as they contested that the instrument would affect jobs in South Africa. The anger and resentment of SI 64/2016 reached a crescendo when a warehouse belonging to the Zimbabwe Revenue Authority (ZIMRA) was burnt down at Beitbridge Border Post on 1 July 2016.

Most authors including Chidhakwa and Jubenkanda (2003), Lipsey R.G (1963) agree that one of the major reasons for the imposition of import restrictions is to stimulate the production of firms in the domestic economy. Dumbu and Karonga (2013) observe that import restrictions can be used to protect infant industries so that they grow and compete with foreign firms in the future and prohibit the dumping of sub-standard products in the domestic market. Chidhakwa and Jubenkanda (2003) further indicate that the justification that the importing country seeks to stimulate domestic production is important in cases where the local economy is in a recession or depression. These motives resonate well with the situation currently obtaining in Zimbabwe. Zimbabwe's economy is in a recession and the government wants to stimulate local production, protect local infant firms from foreign competition and avoid dumping of products by China, India, Japan and South Africa. According to Poon (2015) Japan is one of the developed countries that restrict the importation of numerous goods under its trade policy on the basis that the imported goods may have a negative effect on Japanese industry, economy, and hygiene, or on public safety and morals. Import permit or prior approval for these goods is required for inspection or other requisites, Poon (2015). Empirical evidence has, however, shown mixed results. Success stories from import restrictions have been recorded in Latin America in countries like Brazil, Argentina and Mexico when import restrictions induced by World War II had a stimulating effect on industry capacity utilization, Baer (1972). In a United Nations Conference on Trade and Development paper, Shafaeddin (1998) also argued that protectionist strategies for infant industries and heavy government intervention in foreign sector helped Great Britain, United States of America, France and Germany to industrialise. However, Triechel V, Cadot O, Gourdon J, Hoppe M; (2012) discovered that, in Nigeria, import restrictions generally reduced the general welfare of the populace with the poor worst affected through increased prices of local products and production of poor quality products by nascent local firms. They also discovered that traders tended to dodge or circumvent the restrictions through smuggling and granting of import licences and permits with those involved reaping huge profits as they sold the imported products at exorbitant prices in the importing country. Fasan (2015) argued that Nigeria's history of overwhelming appetite for import restrictions including the recently announced restriction of access to foreign currency of importers of forty one products in a bid to resuscitate the plummeting exchange rate of the Naira, reducing dependence on imports and economic diversification has only yielded negative results over the years due to nepotism and lack of transparency in the implementation of the law. There has been raging debate on the plans by the East Africa Community (Burundi, Kenya, Rwanda, Tanzania and Uganda) to ban importation of second-hand clothing in a bid to resuscitate the bloc's garment manufacturing industry. Meyer S (2016) noted the irony that while Rwanda used restrictive measures in the form of tripling import duty on imported clothing in order to promote the purchase of textiles from the county's single textile mill, production capacity plummeted from forty percent to twenty percent. Brooks (2016) seemed to justify the implementation of import restrictions by pointing out that China and South Korea used import restrictions as a springboard to economic success since the restrictions helped them to reduce dependency on other nations. Brooks (2016) suggested that the East Africa Community should, however, not only rely on the use of import restrictions. Other strategies such as improvement of transport infrastructure and communication, stabilisation of energy or power supplies; and tax relief and support for the cotton sector should also be used. The East Africa Community reneged on the implementation of the import ban for second-hand clothing and shoes on the premise that further research on the capacity of the countries and possible effects needed to be carried out, Asiimwe D (2016). This hesitation by the East African bloc seems to confirm the unpredictability of the effects of import restrictions on the overall domestic economy, specific interest groups and individuals; and gives credence to the current research.

In the case of Zimbabwe, among the interest groups directly affected by SI 64/2016 and whose voices might not have been loud enough, are the clearing agents in the border town of Beitbridge. Clearing agents are crucial to international trade as they play an intermediary role between traders and government represented by the Zimbabwe Revenue Authority. The current study, therefore, sought to explore the effects of SI 64/2016 on the business operations of clearing agents based at Beitbridge Border Post.

1.2 Research questions

- What are the categories of clearing agents at Beitbridge Border Post?
- What types of products are handled by clearing agents at Beitbridge Border Post?
- Why did the Government of Zimbabwe introduce Statutory Instrument 64 of 2016?
- What are the effects of Statutory Instrument 64 of 2016 on clearing agents at Beitbridge Border Post?

II. RESEARCH METHODOLOGY AND DESIGN

The study used the qualitative approach (Creswell, 2009). Personal interviews, focus group discussions, document reviews and observations were used as data collection techniques (Marshall, 2006). The interviews were carried out at the offices of clearing agents in Beitbridge.

III. DISCUSSION OF RESEARCH FINDINGS

A discussion on the purpose of Statutory Instrument 64 of 2016 is provided in section 3.1. Section 3.2 focuses on the categories of clearing agents that operate at the Beitbridge Border Post while sections 3.3 and 3.4 discuss types of goods handled by clearing agents at Beitbridge Border Post and the challenges faced by clearing agents, respectively. Section 3.5 provides the effects of Statutory Instrument 64 of 2016 (SI 64/2016) on clearing agents.

3.1 Purpose of Statutory Instrument 64 of 2016

Statutory Instrument 64 of 2016 restricts the importation of forty three items. The items include peanut butter, maheu, fertilisers, beds, doors steel, wheelbarrows, gates among others. Statutory Instrument 64 of 2016 allows importers to obtain a licence to import items on General Import Licence issued by the Ministry of Industry and Commerce. The Ministry of Industry and Commerce has the mandate to promote industry and industrialise the economy according to the 2011-2015 National Trade Policy. One of the strategies enunciated to achieve industrialization in the policy document is to improve the country's current account balance and balance of payments through increased export earnings and control of import expenditure. It appears the Ministry considered these issues in enacting Statutory Instrument 64 of 2016. The reasons for the enactment of the law according to the government included improving trade balance by reducing the import bill, protecting local infant industries from foreign firms that seem to produce goods at a lower cost or more efficiently due to various reasons that include better technology, avoiding dumping of cheap foreign products from China, India, Japan and South Africa, stopping importation of goods that are locally available, achieving medium to long term balanced growth through diversification of production by local companies, creating employment for local citizens and improving the liquidity situation. The liquidity crisis was now also being fueled by devaluation of the South African rand which made South African products relatively cheaper than Zimbabwean products. The Reserve of Zimbabwe Governor supported this initiative by indicating that local production was the missing link in the growth of the economy. The government feels that this is in line with SADC industrialization agenda provisions that recommend that member states must find ways of ensuring that their economies are heavily industrialised and the private sector must take a leading part in the industrialisation process.

3.2 Categories of clearing agents at Beitbridge Border Post

The researchers discovered that clearing agents in Zimbabwe went through a rigorous registration process that included vetting by police, providing evidence of non-indebtedness from the Domestic Taxes Division and current tax clearance certificate. The regulations and requirements for licensing of clearing agents are regularly reviewed by the Zimbabwe Revenue Authority (ZIMRA) which is the controlling body. The important services that were being offered by clearing agents at Beitbridge Border Post included customs formalities, bonded warehousing, warehousing of goods before they are transported, advising and educating traders, procuring appropriate documentation, packaging services, location of stranded consignments and assessment of damage. There was generally cut-throat competition as clearing agents fought for the few traders that wanted to have their goods cleared. On the other hand, the traders looked worried about the possibility of any unforeseen complications that could arise from the clearing exercise.

The clearing agents at the Beitbridge border post fell into four categories. The first group was employed by large companies such as multinational companies, companies listed on the Zimbabwe Stock Exchange and companies jointly owned by local citizens and foreigners. These clearing agents tended to be professional, experienced, skilled and efficient in line with the requirements and standards of the companies that they worked for. They adhered to laid down procedures as per the systems of their companies. The systems of their companies were mainly computerized making it easy to track the performance of clearing agents and monitor the progress of the clearing process. The clearing agents handled big consignments. The large firms offered a full range of services that included warehousing and packaging. The second category of clearing agents constituted of those who worked for relatively small firms that handled moderately small transactions. Some of the small firms were observed to be family owned businesses. These small businesses offered negotiable rates for their services and took advantage of their lower rates to lure clients from the big firms. The processes and procedures were variably computerized. The third category of clearing agents comprised self-employed individuals. These were mainly individuals who once worked as customs officials at the Beitbridge border post or who left employment from the big or small companies for one reason or the other. The researchers discovered that most of such clearing agents would have diverted considerable business from their employers during their employment period. Their procedures and operational systems were predominantly not computerized although they had an office and a desktop computer or laptop. Nonetheless, they had legally registered companies and fulfilled all statutory requirements. They tended to share offices with colleagues. Here and there, these clearing agents invited or were joined by their jobless friends or relatives through informal arrangements. When the friends or relatives got enough knowledge and business they split to form their own clearing agent firms. Thus, the self-employed individual clearing agents multiplied rapidly and it explained why they were the most dominant in terms of numbers. The last and fourth noticeable category of clearing agents was referred to as the 'briefcase' clearing agent who did not even have an office or permanent physical address. The "briefcase" clearing agent wandered from one point to the other and even across the borders with ease as the customs officials were well "acquainted" with him informally in addition to the fact that he was a sweet and fast talker. This clearing agent was willing to offer services at comparatively 'unreasonable' rates as his business did not have overheads. The 'briefcase' clearing agent was, at worst, perceived as an impostor or con-artist as he did not even have a registered company, adequate stationery or office. They sought assistance from knowledgeable colleagues or diverted their business to family owned businesses for a fee; and could be engaged by other clearing agents as sales representatives via some informal arrangements. The individual clearing agent and the "briefcase" clearing agents were susceptible to offering bribes to customs officials and subvert customs clearing procedures. In most cases, the costs thereof were borne by traders, effectively increasing the cost of doing business and consequently the prices of the products. On the other hand, the established companies were not widely disposed to bribery and sabotaging customs clearing procedures for fear of tarnishing their reputation and losing big business. Clearing agents that worked for these companies went through disciplinary hearings that often resulted in dismissals for unprofessional and unethical behavior.

3.3 Types of Goods Handled by Clearing Agents at Beitbridge Border Post

The clearing agents at the Beitbridge Border Post carry out customs clearing for a wide range of goods. They handle huge consignments such as heavy construction machinery and equipment used in mining companies, road construction, dam construction, agriculture and building such as combined harvesters, excavators and cranes. These consignments are normally transported by abnormal load vehicles. The other categories of goods handled by the agents are furniture for example beds, building hardware like door frames, window frames, electrical gadgets such as televisions and fridges, clothing and textiles that include dresses, suits and t-shirts, health and beauty aids for example camphor cream, perfumes and petroleum jelly and other non-food items. The most popular category seems to be that of food items. These include cooking oil, powdered milk, snacks, tea, salad cream and yoghurt. Motor vehicles of different kinds and sizes comprise a big portion of goods that are handled by clearing agents at the border post. Potentially hazardous substances like petrol, diesel and liquefied petroleum gas are some of the products that are handled by clearing agents at the border post.

3.4 Challenges faced by clearing agents at Beitbridge Border Post

In-depth interviews with representatives of some clearing agents and focus group discussions identified the following challenges faced by clearing agents operating at Beitbridge Border Post.

- There was excessive fragmentation of activities as documentation had to pass through many stages and numerous agents in some cases. The clearing agents had to move from one office to the other to complete customs formalities. There was poor and limited infrastructure at the border post. Such infrastructure included offices, pavements, roads, vehicle parking and offloading bays.
- Inefficient customs clearing processing systems at times caused errors that resulted in delays. The computerized systems were sometimes down due to network disruption.
- The clearing agents highlighted that unprofessional behaviour and unethical practices like corruption and bribery resulted in unnecessary additional costs that eventually caused final prices of imported goods to increase.
- The lack of training and skills was glaring. This limited the capabilities of clearing agents. Some of the agents did not understand the procedures and documentation required under the OGIL system.
- Some clearing agents had limited or no experience and exposure to intricate and voluminous transactions resulting in serious delays and gross inefficiencies.
- The reputation and image of professional clearing agents was tarnished by impostors and unprofessional clearing agents especially those in the "briefcase" category of clearing agents.

3.5 Effects of Statutory Instrument 64 of 2016 on clearing agents

According to the government of Zimbabwe, the purpose of SI 64/2016 was not to ban the importation of the listed goods but to limit their importation through licensing. For example, by the end of August 2016, the Ministry of Industry and Commerce claimed that over 3 000 licences were issued to individuals (cross border traders and corporates). However licensing offers an import quota which is a limit on the quantity of a good that can be produced abroad and sold domestically. To a majority of businesses the distinction is largely immaterial. The SI 64/2016 has the prime effect of stirring domestic productivity and encouraging consumption of locally produced products. This would ultimately protect local manufacturing industries against foreign companies which are invariably enjoying competitive advantage owing to low production costs in the countries of origin as compared to the local unfavourable business environment. The primary goal of import quotas is to reduce imports and promote domestic production of a good or service. Technically, as the quantity of importing the good is restricted, the price of the imported good increases, thus inducing domestic consumers to purchase domestic products at higher prices. Ultimately, domestic firms benefit with higher sales, greater profits and more income to resource owners.

During the fieldwork at Beitbridge, a majority of the clearing agents lamented the loss of business due to the import restrictions imposed by SI 64/2016. They claimed that the volume of imported goods had drastically gone down and they had lost clients because it was difficult to have access to the import licenses or permits and it was relatively more expensive to import more products.

- The clearing agents bemoaned the loss of revenue due to the enactment of the instrument and feared that their firms would resort to retrenchment of workers or reduction of salaries as a strategy for short term survival.
- The clearing agents indicated that the long term effect would be the shutting down of most of the clearing agent firms resulting in loss of jobs and abject poverty amongst some citizens of the border town.

- The clearing agents noted that Statutory Instrument Number 64 of 2016 encouraged smuggling and corruption as traders sought cheaper and unlawful means of importing goods.
- The clearing agents stated that the few who managed to obtain import licences would sell the imported products at exorbitant prices in Zimbabwe and this would affect their welfare since they were part of the local customers.
- They also intimated that they would be forced to buy substandard or poor quality locally manufactured goods since competition from imported good quality products had been eliminated or reduced.

IV. CONCLUSIONS AND RECOMMENDATIONS

The study found that customs clearing business was generally low and some clearing agents were idle in their offices while some were tussling for the few customers who wanted to have their goods cleared using permits as per the requirements of Statutory Instrument 64 of 2016. Importers with small quantities of the restricted goods passed through the border without hassle because the goods were deemed to be for home consumption or use. Clearing agents were aware of the reasons for the promulgation of Statutory Instrument 64 of 2016. Four basic categories of clearing agents were identified. The first worked for large corporates that dealt with huge consignments. The second group worked for relatively small firms that depended on small orders and offered negotiable rates. The third group was that of individuals who were self-employed. These were mainly former customs officers. These were dominant in terms of numbers. The last group comprised the “briefcase” clearing agents who were generally perceived as impostors and often diverted their business to knowledgeable colleagues or established firms for a fee due to incapacity. The major challenges that were faced by clearing agents as a result of the enactment of Statutory Instrument 64 of 2016 included lack of adequate knowledge and exposure to the requirements of the instrument, lack of training and skills on customs clearing procedures, delays caused by computer systems due to network disruption, upsurge in smuggling, corrupt and bribery activities, lack of adequate infrastructure. The effects of Statutory Instrument Number 64 of 2016 on clearing agents were loss of business due to reduced importation of goods, the threat of salary cuts and job losses, worse standards of living due to increased prices of the few imported goods that found their way into the economy coupled with increases in prices of locally produced goods from nascent firms and poor quality goods. The researchers recommend that the government should educate, train and equip clearing agents with knowledge and information on the requirements of Statutory Instrument Number 64 of 2016 in order to promote buy-in from the agents. The authorities should have directly consulted clearing agents to get their input on the statutory instrument. Corrupt, bribery and smuggling tendencies should be curbed because they generally increase the cost of doing business. Lastly, the Zimbabwe Revenue Authority must ensure that there is a contingency plan to avoid delays that are caused by system downtime.

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