



AN INFORMATIVE GUIDE ABOUT THE SIMPLIFIED TRADE REGIME (STR) TOOLKIT

What is the Simplified Trade Regime?

The Simplified Trade Regime (STR) is an arrangement implemented by Member States of COMESA to formalize and improve the performance of the small scale cross border traders and enable them to benefit from the regional preferential treatment when importing or exporting goods within the region. This is a bilateral type of trade agreement whereby the goods eligible under the regime are agreed by the respective countries. Currently Malawi has STR agreements in place with Zimbabwe and Zambia which were respectively entered into in 2010.

Furthermore, Malawi and Zambia are in the process of reviewing the list of products to their Common List which is traded between the two countries using the COMESA Simplified Trade Regime (STR).

Why formalize and streamline Cross Border Trade?

Cross-border trade is very important as it enables the movement of produce across borders from surplus to deficit areas. It is therefore significant not only in providing employment and livelihood to border communities but also in promoting food security.

Despite its significant contribution to the economy, small scale cross-border trade remains largely informal and is mostly conducted illegally. There are a number of contributing factors that force small-scale traders to use illegal means to trading and these include:

- Lengthy and time-wasting customs clearance processes - Cross border trade markets are time bound and specific on particular days of the week. As such, unnecessary delays result in serious market and revenue losses.
- Documents used in processing customs clearances are complex and they are in a language which is not well understood by the majority of small scale cross border traders.
- Expensive to obtain requisite documents for customs clearance such as the certificates relating to sanitary and phyto-sanitary, veterinary and rules of origin.
- Tax regime on imports does not commensurate with the trading environment of small cross border traders. The volumes, values and anticipated profits are so small that even any minor tax or charges levied have a higher impact on the trader.

The above reasons create an environment where small traders in Malawi continue to engage in informal or illicit trade (i.e. crossing the border through informal routes and evading the customs officials). In the process, traders find themselves at the wrong end of law and as a result, they are arrested and their goods confiscated making them incur unnecessary losses. Besides, Government in the process also loses revenue and is unable to compile accurate trade statistics

on the country's imports and exports, a situation that curtails effective planning and policy development.

The Simplified Trade Regime (STR) is therefore intended to help Malawi overcome challenges facing cross border traders by simplifying the process of customs clearances. The STR overcomes problems in proving goods originate in a country and therefore are not subject to duty. It is designed for small consignments, currently defined as \$2000 or less.

Proof of origin and cross border-trade

The normal proof required at a border post is a **Certificate of Origin**. The law requires that an exporter should obtain a certificate of origin to accompany his consignment in order to be exempted from the normal customs that might apply to those goods. This certificate of origin is usually issued in the capital cities and must be stamped by the Customs Authorities. The normal way of doing cross-border trade is that at the border, the trader must present the stamped certificate of origin, invoice and customs document declaring the goods to the customs officer in the importing country.

However, under the STR, Governments have agreed a list of products that do not require a certificate of origin for small consignments. This list is displayed at the border posts and is available at the offices of the **Cross Border Traders Associations** (CBTA) and Customs both at the border and in the main towns. Governments have agreed that for small scale trade in goods that originate from the Members of the Free Trade Area, traders will not need to carry a Certificate of Origin. The common list of products agreed between two neighbouring member states will serve as the certificate. The STR is about proving the origin for the goods in a simple way.

In general, some goods such as agriculture products obviously originate in one country, however, other items, especially manufactured products, may be made up of parts from other countries outside COMESA. Therefore, the normal special rules that determine whether a good can be considered to be of local origin still apply. These rules look at what proportion of the material is imported, or what percentage of the value added is local.

No change to other border requirements: Please note that the STR does not relieve the trader of other requirements and obligations at the border. These include:

- a. For Immigration: the necessary travel documents.
- b. Licenses and Certificates.
- c. For agricultural produce, it is usually a requirement to obtain a sanitary and phyto-sanitary certificate from the offices of the Ministry of Agriculture, Health or Bureau of Standards.

In some cases a license to trade is demanded:

1. A permit to export.
2. A phyto-sanitary certificate stating the product is free of disease. Check to see if there is an office at the border post where the certificate can be issued.

How to use the STR

Step 1: Are you qualified to use the COMESA STR?

Check if you fulfil the following?

1. Goods that you are trading are worth \$2000 or less.
2. Goods you are trading are on the Common List for Malawi and the trading partner.¹
3. Whether you will be selling the goods in Zimbabwe or Zambia.

If you fulfil these three conditions you may use the Simplified Customs Document. You do not require an agent to fill in this form (as you would with the Standard Customs Document).

Note: If the goods do not appear on the STR list of products but are subject to duty free treatment under the Free Trade Agreement, you should obtain a Certificate of Origin for them before travelling to the border.

Step 2: Other Formalities:

- a. Do you have correct travel documents?
- b. Are you aware of the rules on foreign currency?
- c. Travel to the border and visit the CBTA Trade Information Desk (TID) - At the main borders, the Cross Border Traders Associations (CBTA) have established desks to assist small traders in filling in the STR documents and dealing with border formalities. They will also record complaints and try to solve problems that traders encounter. If there is CBTA Trade Information Desk at the border post, they will help you fill in the form. They may levy a small fee for providing such services but otherwise the Customs officers would also assist with the filling in of the required documents.

TID complaint: Be sure to address the TID of what goods should be included on the list. This will be noted and brought up in future to Government for discussions.

Step 3: Since you do not need a Certificate of Origin for this kind of trade. Proceed to the importing border and present your goods by filling out a Simplified Customs document.

You will be expected to pay a fee of not more than US\$1 to allow Customs authorities process your export or importation papers.

Step 4: Clear immigration formalities

Step 5: If you are carrying agricultural produce, livestock or food

Go to the Agricultural Offices with your documents to get clearance from their phyto sanitary inspectors.

Step 6: Get simplified certificate stamped by Customs Officer in the importing country.

Step 7: Fill in your Simplified Customs Document for all goods – dutiable and non-dutiable. Be sure that value of the goods on the STR List are \$2000 or below.

¹ Goods appear on the STR list of products for the two countries (refer Table 1 and Table 2 for the list).

Who can use the STR?

It is used by cross border traders importing or exporting goods from one COMESA country to the other, for Malawi this means Zambia and Zimbabwe. As earlier noted, the STR targets small scale traders whose transaction values are worth \$2000 or less per each consignment. Such traders include those who carry their goods on their forehead, wheel barrows, by bus, bicycles, motorcycles and the small scale border market vendors. The STR is not used by ordinary travelers with goods which are not for sale.

What are the advantages of using STR?

1. Fast clearance at the border posts.
2. Reduced clearance costs.
3. Elimination of informal and illicit trade and their related risks including loss of goods or life, harassment and resultant exploitation.

Trade Information Desks

At the moment, the Mchinji border post is the only border that is implementing STR in Malawi, however, the Government of Malawi is looking to extend this to other border posts.

Across the region other border posts that are implementing STR are as follows:

- Livingstone
- Malaba
- Kariba
- Busia
- Chirundu
- Katuna

STR list of eligible products

Table 1 STR Common List with Zambia (2010)

No.	Products	HS Code
1	Kitchen ware (Aluminum & steel pots)	73.23 and 76.15
2	Mealie Meal / maize flour	11.02
3	Maize	10.05
4	Fertilizer	31.05
5	Seeds	Chapter 12
6	Legumes (fresh peas, beans)	07.08
7	Cabbages	07.04
8	Carrots	07.06
9	Vegetable	Chapter 7
10	Mangoes	08.04
11	Groundnuts	12.02
12	Dried beans and dried peas	07.13
13	Eggs	04.07
14	Cotton residues	23.03 23.06
15	Chilies/ paprika	09.04

16	Mineral water	22.01
17	Cooking oil	15.12
18	Cotton/sunflower/vegetable/soy bean and ground nut oil	15.12, 15.07 and 15.08
19	Empty sacks	63.05
20	Animal skin	41.04 and 41.05
21	Plastic ware (containers, basins chairs, plates cups)	39.24, 39.26 and 94.03
22	Margarine	15.17
23	Petroleum jelly, cosmetics and body lotions	33.04
24	Polish, floor and shoe polish	34.05
25	Hair pieces and weaves	63.03 and 67.04
26	Sweets and bubble gums	17.04
27	Pens and pencils	96.08 and 96.09
28	Knitting wool	51.09
29	Candles	3406.00.00
30	Snacks (potato and corn snacks)	19.04 and 19.05
31	Paint	32.08 and 32.09
32	Hoes/axes	82.01
33	Plastic bags	3923.21 and 3923.29
34	Spirits, beers	22.08, 22.03 and 22.06
35	Millet	10.08
36	Roofing timber	44.21
37	Musical drums (Ng'oma)	92.06
38	Electrical cables and wire	85.44
39	Cultural instruments	92.02
40	Cultural Bells and feet instruments	92.08
41	Malimba lozi instruments	92.02
42	Tinned / packed beef	16.02
43	Cheese	04.06
44	Fresh packed fish	03.04
45	Opaque beer	22.06
46	Reeds mat	46.01
47	Plumbing materials	39.17
48	Cassava/ cassava products	07.14 and 11.06
49	Iron Roofing Sheets	72.10
50	Plastic Mats	39.26
51	Wheelbarrows/Carts	8716
52	Plastic drums	39.23
53	Larger beers	22.03
54	Air vents	39.17
55	Stone tiles	68.10
56	Dried beans	07.13
57	Soap and detergent paste	34.01 and 34.02

Source: Data from Government of Malawi Ministry of Trade (November 2020)

Table 2 STR Common List with Zimbabwe

No.	Products	HS Code
1	Plastic air vents	3917.33
2	Empty sack	63.05
3	Cassava and cassava products	07.14 and 11.08
4	Plastic twine	56.07
5	Fresh milk and milk products	04.01
6	Ridges/ twine (for making cane chairs and cane products)	56.07
7	Charcoal burners and charcoal burner clay	68.15 and 25.08
8	Handicrafts (baskets, woven tray)	46.02
9	Millet	10.08
10	Pack for pies (grease proof paper)	48.19
11	Chili sauce	21.03
12	Tissue	48.18
13	Napkins	96.19
14	Plastic chairs	94.03
15	Candles	34.06
16	Pencils	96.09
17	Ice ingredients and corns	21.05
18	Waste paper	47.07
19	Ice cream machine	8418.69
20	Popcorn machine	84.19 and 85.16
21	Fiber glass resin	39.26
22	Fiber glass	70.19
23	Window panes	76.10
24	Wheat flour	11.01
25	Window putty	32.14

Source: Data from Government of Malawi Ministry of Trade (November 2020)