

Trade Facilitation in Africa: Challenges, Opportunities and Progress



Dr. Amal Nagah Elbeshbishi
Regional Advisor
African Trade Policy Centre
United Nations Economic Commission for Africa

Outline

- 1- Introduction
- 2- Trade Facilitation: Definition and Scope
- 3- Trade Facilitation in Africa: Challenges
- 4- Trade Facilitation in Africa: Opportunities
- 5- Trade Facilitation in Africa: Progress
- 6- The Role of the African Trade Policy Centre (ATPC) in Pushing the Trade Facilitation Agenda Forward
- 7- Conclusion and Recommendations

1- Introduction

- Trade facilitation is a *comprehensive* and *integrated* approach to reduce the complexity and cost of the trade transaction processes.
- It aims at ensuring that all trade activities can take place in an *efficient, transparent*, and *predictable* manner, based on *internationally accepted norms, standards* and *best practices*.
- *It is one of the key factors for economic development of nations and is closely tied into national agendas on social well being, poverty reduction and economic development of countries and their citizens.*

2- Trade Facilitation: Definition and Scope

Trade facilitation is becoming increasingly important in enhancing competitiveness of countries in the current context of abolition of formal trade barriers at both the regional and international levels. This is because:

- *Exports will be efficient and cost effective*
- *Imports of raw materials for the manufacturing sector will be less costly*
- *SMEs will be able to participate in international trade as the countries' trade regulations and procedures become easier*
- *Increased trade flows will result in more foreign exchange earnings*

2- Trade Facilitation: Definition and Scope (Continued)

- Although several attempts have been made to define trade facilitation, up to date no consensus has been reached on a standard definition.
- *In its narrowest sense*, trade facilitation refers to the reduction of the trade costs associated with moving goods across borders.
- *A broader interpretation* encompasses all NTBs to trade, including behind the border costs associated with the institutional and business environment, services in support of trade, and physical infrastructure in transport, energy and ICT.

2- Trade Facilitation: Definition and Scope (Continued)

- *More recent definitions have been broadened* to include the environment in which trade transactions take place, that is, the transparency and professionalism of customs and regulatory environments, as well as harmonization of standards and conformance to international or regional regulations.
- *Trade facilitation according to the WTO* refers to *the avoidance of unnecessary trade restrictiveness*. To achieve this, economies are applying modern techniques, standards and technologies, while at the same time improving the quality of control in an international harmonized manner.

3- Trade Facilitation in Africa: Challenges

Africa's trade performance has been weak. The *current share of Africa in global trade* is only around *3 per cent* compared to *10 per cent* in *1950*. *Intra-African trade* is the *least* compared to other regions, averaging about *10- 12 per cent*, *not only lowest but also stagnant*.

3- Trade Facilitation in Africa: Challenges (Continued)

One reason for the low level of intra-African trade is that the economic structure of African countries is generally similar. Their economies face barriers because of:

- *the low capacity of the manufacturing sector*
- *undiversified production*
- *lack of coordination and harmonization of production and marketing policies.*

Most of the continent's economies depend on very few primary agricultural and mining commodities for their exports, mainly importing manufactured goods. Weak infrastructures and institutional policies represent also a major challenge.

3- Trade Facilitation in Africa: Challenges (Continued)

- *African Heads of State and Government* met in *January 2012* and came up with the *Action Plan for Boosting Intra African Trade (BIAT)* and the *establishment of the Continental Free Trade Area (CFTA)* by *2017*.
- The Summit focused on the following main clusters areas to boost intra-African trade: Trade policy, *trade facilitation*, productive capacity, trade related infrastructure, trade finance, trade information and factor market integration.

3- Trade Facilitation in Africa: Challenges (Continued)

Although African countries have acknowledged the importance of trade facilitation as reflected by the numerous agreements signed at *bilateral*, *sub-regional* and *regional* levels as well as efforts made at *country level*, most of these initiatives have so far yielded very limited benefits.

The poor results are attributed to several factors such as:

- *non-compliance to the agreements*
- *poor programme implementation*
- *lack of coordination among and between countries*
- *lack of coordination among relevant agencies within countries*
- *inadequate skilled manpower*
- *lack of a multi-sectoral approach to trade facilitation*

3- Trade Facilitation in Africa: Challenges (Continued)

The major challenges of trade facilitation in Africa can be seen in terms of:

Poor transport infrastructure

The quality of infrastructure in Africa is a major problem. The problem is more pronounced in *landlocked countries* as these countries incur high transaction costs not only from their own poor infrastructure but also from that of their transit neighbors.

3- Trade Facilitation in Africa: Challenges (Continued)

High transport cost

- Shipping costs from African countries to major world markets are comparatively very high. Poor infrastructure contributes to high transport costs and blocks trade expansion.
- ***Landlocked countries*** depend on their neighbors to export goods to reach overseas markets. Given that the distance of a country from major world markets elevates trade costs above those closer to markets, these landlocked countries face a significant disadvantage.

3- Trade Facilitation in Africa: Challenges (Continued)

Poor telecommunications service

Telecommunications services are *inadequate, inefficient* with frequent interruptions and *very expensive* in most African countries compared to the rest of the world. Availability of cellular phones is very limited and expensive in some countries and internet use per capita is lowest in Africa compared to the rest of the world. *Deficiencies in telecommunications services tend to isolate African Countries from one another.*

3- Trade Facilitation in Africa: Challenges (Continued)

Underdeveloped payment and insurance systems

The financial systems in most African countries lag substantially behind those in other regions of the world. They suffer from:

- *inefficient and cumbersome payment and credit arrangements*
- *costly insurance and customs security fees*
- *weak payments systems*

These poor facilities impede trade within and outside the continent. Restrictions on the payment system, transfers or capital account transactions are equivalent to **NTBs** and therefore *increase trade costs*.

3- Trade Facilitation in Africa: Challenges (Continued)

Cumbersome customs procedures

Customs administrations in many African countries are characterized by:

- *excessive documentary requirements*
- *outdated procedures*
- *lack of automation and insignificant use of IT*
- *lack of transparency, predictability and consistency*
- *lack of cooperation with other government agencies.*

This results in the waste of enormous amount of time and money.

4- Trade Facilitation in Africa: Opportunities

- *UNECA's Computable General Equilibrium (CGE) Modeling of a CFTA* estimates the impact of the removal of all internal tariffs on goods by 2017 and finds that *the share of intra-African trade would increase from 10.2 percent in 2010 to 15.5 per cent in 2022 after the establishment of the CFTA.*
- *UNECA's research* also underscores that deeper integration of this kind can magnify the gains available if *trade facilitation* is addressed. For example, *if customs' procedures and port handling become twice more efficient in the CFTA, intra-African trade would double from 10.2 per cent in 2010 to 21.9 per cent in 2022.*

4- Trade Facilitation in Africa: Opportunities (Continued)

Increased transparency and predictability

A more transparent system evidently creates better opportunities for fighting corruption, which is a plague in many African countries. Combined with the faster and more efficient customs procedures these measures will greatly enhance the revenue collections at customs, often one of the largest sources of income in many African countries.

4- Trade Facilitation in Africa: Opportunities (Continued)

Improved security

Trade facilitation creates a lot of opportunities both to the business community and governments. Traders gain through faster delivery and reduced transaction costs. Government profit in terms of enhanced revenue collection, increased economic efficiency, augmented predictability and increased opportunity to divert resources to fight criminal activities.

4- Trade Facilitation in Africa: Opportunities (Continued)

Increased business opportunity

Trade facilitation does not benefit the trade or investing companies alone, but also all transport intermediaries who would otherwise not have had the opportunity to transport the goods to the new markets, hereby creating a *chain effect*.

5- Trade Facilitation in Africa: Progress

- *Discussions on the enormous scale and complexity of trade facilitation challenges overshadow success stories across Africa.* However, we have witnessed considerable improvements in various aspects of trade facilitation over the past few years, which could contribute to improving intra-African trade as well as enhancing the continent's integration in the global economy.
- Many African RECs have in recent years implemented trade-facilitation initiatives as discussed below.

5- Trade Facilitation in Africa: Progress (Continued)

The Common Market for East and Southern Africa (COMESA)

Among RECs, *COMESA has the most extensive programme for trade facilitation*. COMESA's wide range of initiatives on trade facilitation includes the following for example:

The Harmonized Commodity Description Coding System, Advance Cargo Information System (ACIS), ASYCUDA, Harmonized road transit charges, COMESA carrier's license, Harmonized axle loading and maximum vehicle dimensions, and COMESA Yellow Card Scheme.

5- Trade Facilitation in Africa: Progress (Continued)

The East African Community (EAC)

All member States in the EAC became a zero tariff zone as of 2010. However, every EAC member state has complained of *NTBs*. *Rwanda* can be considered as a '*best performer*' in terms of elimination of *NTBs* using different approaches including the online reporting mechanism and institutional committees. Further, it has removed all checkpoints after the border.

5- Trade Facilitation in Africa: Progress (Continued)

Economic Community of Central African States (ECCAS) and Central African Economic and Monetary Community (CEMAC)

- **CEMAC** has adopted a protocol on Inter-State Transit in Central African countries to facilitate the transit of goods within member States.
- **ECCAS** has prepared a strategy, with **UNECA's support**, to develop ICT in Central Africa that includes infrastructures, wide-band networks and interconnections.

5- Trade Facilitation in Africa: Progress (Continued)

The Economic Community of West African States (ECOWAS) and Union Economique et Monétaire Ouest Africaine (UEMOA)

West Africa has a wide range of initiatives on trade facilitation such as:

The West Africa Road Transport and Transit Facilitation, and The Abidjan–Lagos Transport and Trade Facilitation (Cote d'Ivoire, Ghana, Togo, Benin, Nigeria).

ECOWAS is in the process of implementing ASYCUDA.

5- Trade Facilitation in Africa: Progress (Continued)

The Southern African Development Community (SADC)

Trade facilitation in SADC involves non-physical infrastructure issues. It includes simplifying and harmonizing overly complex customs clearance procedures, granting freedom of transit to traverse member states, minimizing or eliminating potential NTBs, building capacity, using ICT as a strategic resource, and harmonizing sanitary and phyto-sanitary measures.

6- The Role of ATPC in Pushing the Trade Facilitation Agenda Forward

- Since the establishment of the *ATPC* in May **2003** with the support of the *Canadian International Development Agency (CIDA)*, *UNECA's support* to building African trade capacities has increased significantly.
- *The core ATPC objective is to strengthen the human, institutional and policy capacity of African governments to formulate and implement sound trade policies and participate more effectively and equitably in international trade negotiations.*

6- The Role of ATPC in Pushing the Trade Facilitation Agenda Forward (Continued)

- One of the main objectives of ATPC is to strengthen both the *international competitiveness* as well as the *negotiating capacity* of *African countries* by *sharing knowledge* on *challenges* and *best practices* of the various countries and regions on *trade facilitation policies* at *national* and *regional* levels.
- *ATPC has been a major voice for infrastructure development in Africa, hence playing a key role in pushing the trade facilitation agenda forward.*

6- The Role of ATPC in Pushing the Trade Facilitation Agenda Forward (Continued)

ATPC strives to become a centre of excellence on trade issues such as trade facilitation, it continues to use its convening power to communicate directly with trade ministers and senior officials in Africa to highlight the *challenges* and *opportunities* of *trade facilitation* and *the impact on intra-African trade* through *the dissemination of papers and policy briefs*, *the organization of high level meetings* and *the promotion of new studies on trade issues*.

6- The Role of ATPC in Pushing the Trade Facilitation Agenda Forward (Continued)

ATPC's efforts will result in:

- *incorporating trade facilitation concepts and practices into national and regional trade policies as well as development plans in Africa.*
- *increasing regional trade, through rationalization of cross-border procedures and the creation of regional chains of competitive suppliers.*

6- The Role of ATPC in Pushing the Trade Facilitation Agenda Forward (Continued)

ATPC's success stories in the area of trade facilitation are highlighted below:

- *Creating the African Alliance for Electronic Commerce (AAEC)*
- *Completion of a major study on feasibility of dry ports for Ethiopia*
- *Recognition as key partner in trade and transport facilitation and transit transport corridor management*

7- Conclusion and Recommendations

- Tackling the challenges of trade facilitation in Africa is critical and requires *regional, comprehensive* and *coordinated* approach that entails improvements in infrastructure and provision of efficient and competitive services in the areas of roads, railways, ports, ICT; the removal of illegal roadblocks; and the simplification and harmonization of customs and border procedures as the gains of trade facilitation are related to the whole chain of processes.
- This *regional approach* can be an efficient means of *coordinating actions, setting priorities, reviewing progress, mobilizing resources, allocating funds, and monitoring contribution levels.*

7- Conclusion and Recommendations (Continued)

The main recommendations to push the trade facilitation agenda forward are:

- *Providing adequate and efficient transport infrastructure*
- *Removing illegal roadblocks*
- *Promoting the use of new technology*
- *Speeding up customs procedures*
- *Creating a trade promoting frame and investing in trade facilitation*

7- Conclusion and Recommendations (Continued)

Last but not least, in order for a trade facilitation process to be fully successful, three key elements need to be present:

- *A strong political will and commitment*
- *A clear strategic plan*
- *A close cooperation with the business community*

For *African countries*, an additional element must be added, *well-funded and long-term technical assistance based on a partnership between donors and recipients.*

Thank You