

Trade Facilitation and the CFTA

Colloquium on the CFTA: Internal Challenges and External
Threats

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Accra, Ghana

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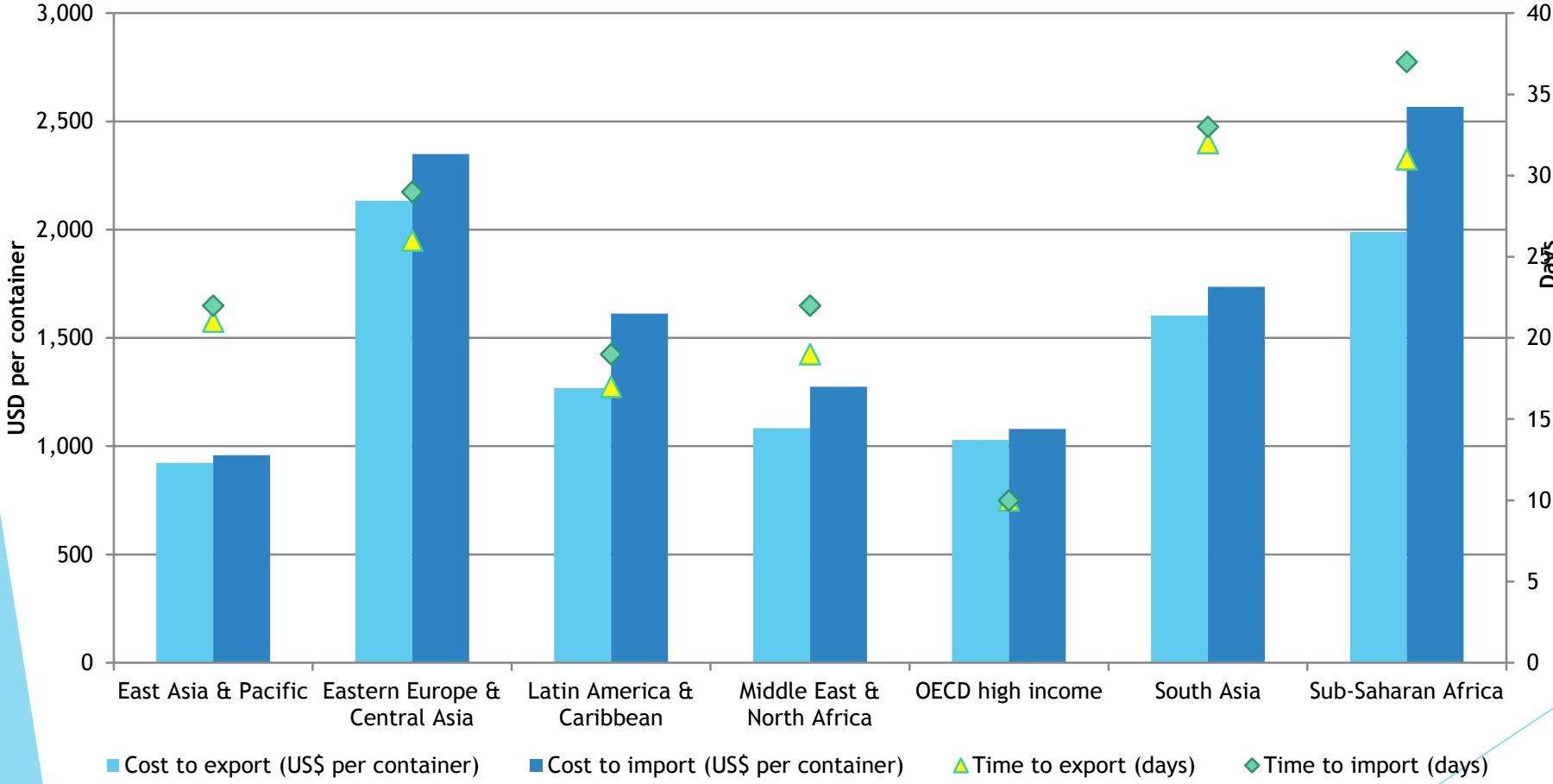
Outline

- ▶ Africa's trade costs
- ▶ Africa and WTO Trade Facilitation Agreement
- ▶ Trade Facilitation and the Continental Free Trade Area

Status of Africa's Trade

- Africa's share of world exports is still low
 - The share of Africa's export in global merchandise exports was 3.3% in 2013 compared to 17.8% for East Asia;
 - Africa's share of global exports in 1970 and 1980 (4.99 and 5.99%) was higher than that of East Asia (2.25 and 3.74%)
- Intra-African trade was 16.3% of the continent's total trade in 2013
 - Which is an improvement compared to previous years
 - Hoovers around 12%

Transaction costs in international trade by region; 2012



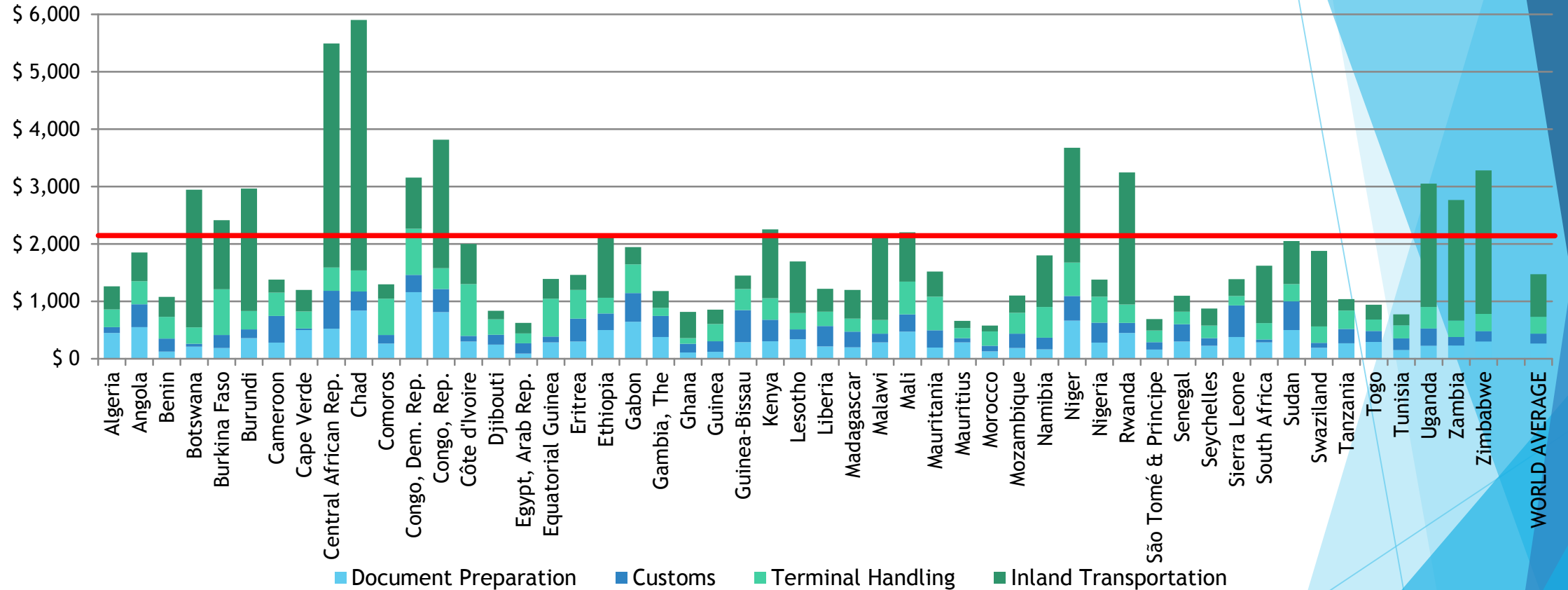
Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes

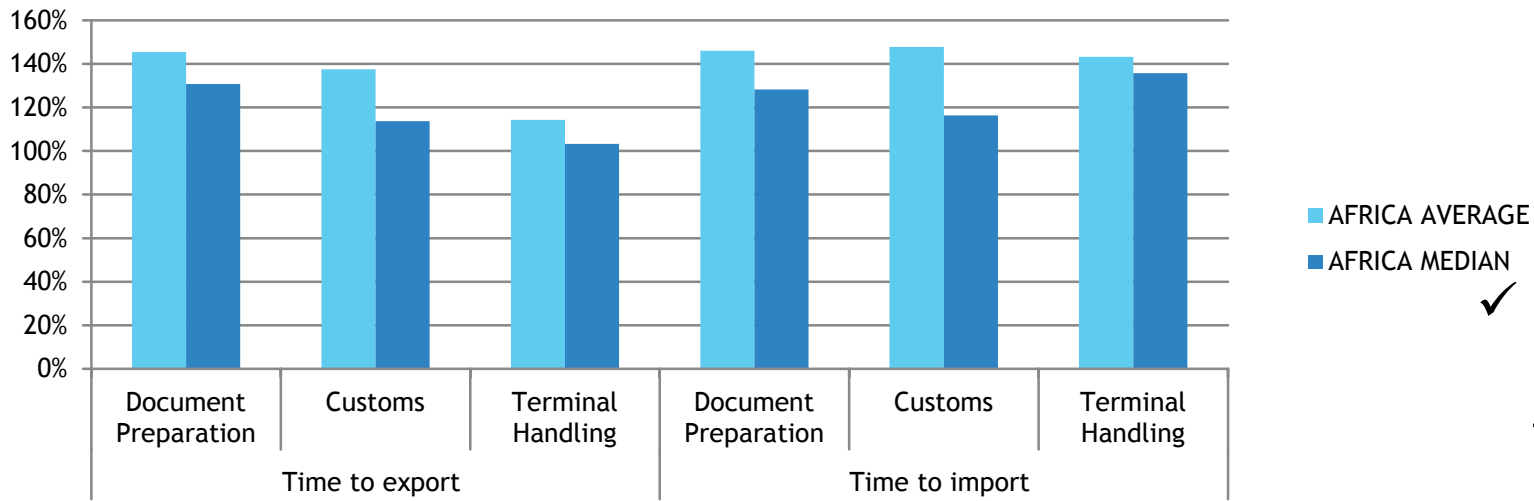
Costs of exporting one standard container from African countries, 2012



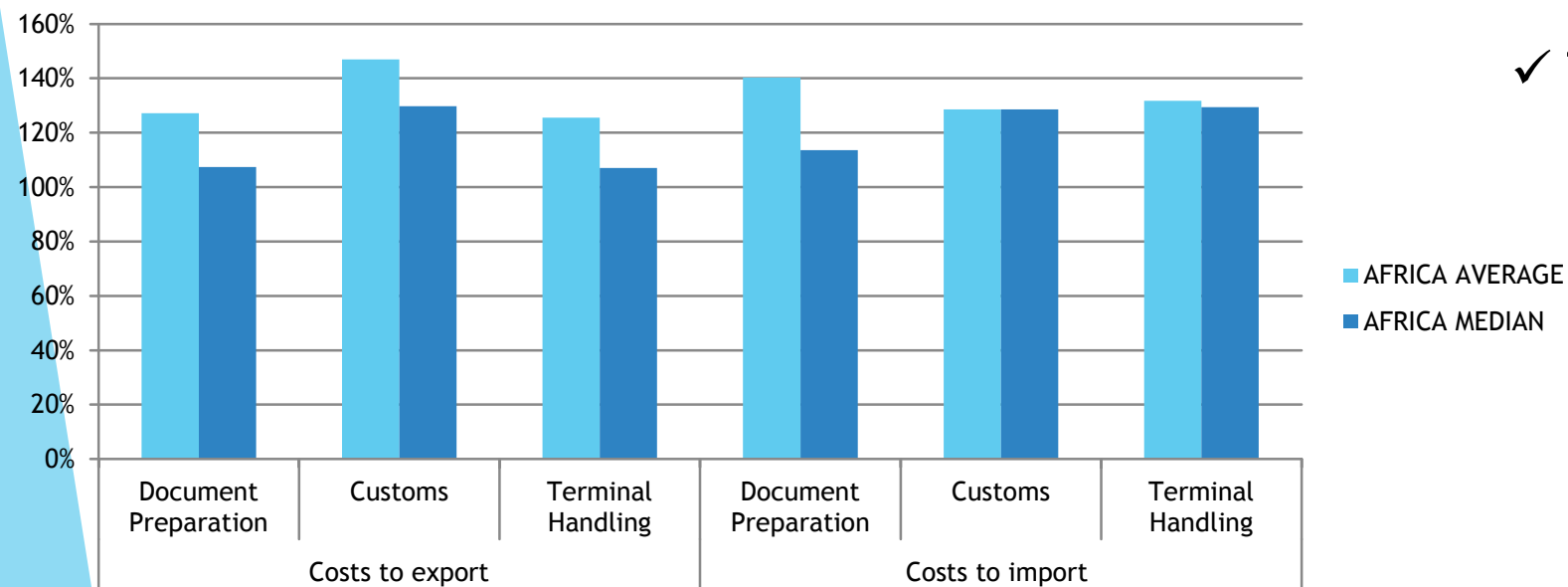
- Significant Customs contribution to total export costs
- Large variability across countries, across all components
- Landlocked Countries have disproportionately high trade-related costs

TRADE COSTS IN AFRICA (continued)

Africa's performance relative to world average; 2012



Africa's performance relative to world average; 2012



- ✓ Import-export activities in Africa take \approx 37% longer and are \approx 31% more costly than the world average.
- ✓ Custom procedures are particularly costly for exporters.
- ✓ This creates a competitive wedge penalizing African firms.

Why Transport Costs are high in Africa

- ▶ Geography
 - ▶ 16 landlocked countries
 - ▶ Remoteness
 - ▶ Isolation
 - ▶ Low traffic volumes
- ▶ Poor road condition
 - ▶ Only 38% of cross-border TAH links are paved roads in good or fair condition, 16% are paved roads in poor condition, and 33% are unpaved roads.
- ▶ Regulation of transport services
 - ▶ Transport prices are lower in competitive environment, e.g. Eastern & Southern Africa
 - ▶ Transport prices are higher in regulated environments e.g. West & Central Africa
- ▶ Fuel prices
- ▶ Delays at borders and weighbridges
- ▶ Informal payments

African and Global Response

- African Union Heads of State and Government Decision in 2012
 - To establish a Continental Free Trade Area (CFTA) by 2017
 - Action Plan for Boosting Intra-African Trade
- RECs have Trade Facilitation (TF) Programmes
- Conclusion of WTO Negotiation of an Agreement on Trade Facilitation
 - Heralded as a major success of 2013 Bali Ministerial Conference
 - Provide framework for removing trade bottlenecks

What is Trade Facilitation

- ▶ Trade Facilitation is primarily about reducing trade transaction costs and time
 - ▶ High trade costs and delays reduce competitiveness and hampers access to international markets
- ▶ TF requires good understanding of all the determinants of transaction cost and time
- ▶ This goes beyond non-physical barriers and customs operations and includes quality of infrastructure.

WTO Trade Facilitation Agreement (1)

▶ Section I: 12 Articles

1. Publication and availability of information
2. Opportunity to comment, information before entry into force, and consultations
3. Advanced rulings
4. Procedures for appeal or review
5. Other measures to enhance impartiality, non-discrimination and transparency
6. Disciplines on fees and charges imposed on or in connection with importation and exportation and penalties
7. Release and clearance of goods

WTO Trade Facilitation Agreement (2)

8. Border Agency cooperation

9. Movement of goods intended for import under customs control

10. Formalities connected with importation, exportation and transit

11. Freedom of transit

12. Customs cooperation

Special and Differential Treatment

- ▶ 3 categories of provisions
- ▶ Category A: to be implemented upon entry into force of the agreement
 - ▶ Within 1 year after entry into force, for least-developed countries
- ▶ Category B: to be implemented after a transitional period of time
- ▶ Category C: to be implemented after a transitional period, and require provision of assistance and support for capacity building

RECs Trade Facilitation Measures

COMESA	SADC
<ul style="list-style-type: none">• Harmonised axle load limits• COMESA carrier license and transit plates• Harmonised road transit charges• Customs Regional Bond Guarantee• Third Party Motor Insurance (Yellow Card)• Advanced Cargo Information System• Automated System for Customs Data (ASYCUDA)	<ul style="list-style-type: none">• Single Customs declaration of goods• Harmonisation of weight limits and vehicle dimensions• Harmonisation of road transit charges• Adoption of community insurance scheme• SADC road design standards• SADC Driver Licensing - harmonised training of drivers and delivery of driving licensing

One Stop Border Posts

- ▶ Chirundu OSBP between Zambia and Zimbabwe
 - ▶ Widely cited as best practice
- ▶ South Africa and Zimbabwe working towards the establishment of OSBP at Beitbridge
- ▶ East African Community (EAC) bill on OSBP
 - ▶ There are OSBPs involving Kenya and Uganda; Tanzania and Uganda; Rwanda and Uganda
- ▶ OSBPs are also being established in West Africa
 - ▶ Cinkase OSBP between Burkina Faso and Ghana
 - ▶ UEMOA resolution on creation of OSBP
 - ▶ OSBPs in the Abidjan-Lagos Corridor supported by World Bank
 - ▶ EC support to OSBPs in West Africa

Single Windows

- ▶ SWs are being introduced across Africa
 - ▶ Senegal (GAINDE 2000)
 - ▶ Ghana (GCNet)
 - ▶ Tunisia (Tunisia TradeNet)
 - ▶ Cameroon GUCE
- ▶ Regional level efforts
 - ▶ 16 out of 19 COMESA countries use ASYCUDA
 - ▶ COMESA engaging member states to upgrade to ASYCUDA World and to interconnect their systems
 - ▶ EAC is involved in a Regional SW project
 - ▶ African Union has a Roadmap and Strategy for interconnecting customs information systems

Achievements

- ▶ Removal of non-physical barriers (roadblocks, weighbridges, etc.) has reduced the time taken to transport container from Mombasa to Kampala from 18 to 3 days; and 22 to 6 days from Mombasa to Kigali
- ▶ Introduction of Single Customs Territory
- ▶ Introduction of digitised IDs has enabled free movement of people along the Northern Corridor
- ▶ Introduction of Single Tourist Visa facilitates the movement of people between Kenya, Uganda and Rwanda
- ▶ Efforts to improve rail transport underway
- ▶ Single Window implemented in at least 17 African countries

Challenges in the implementation of TFA: Costs

- ▶ Africa's concerns about technical and financial requirements for TF are well documented
- ▶ Implementation costs vary substantially across TF measures
 - ▶ And across countries
- ▶ Set-up costs may have serious financial implications
 - ▶ For example, Single Windows or OSBPs
 - ▶ But running costs are generally lower
- ▶ Implementation costs for most TF measures are expected to be moderate compared to potential gains
 - ▶ Lower transaction costs

Costs (2)

- ▶ 4 broad categories of costs:
 - ▶ Infrastructure costs
 - ▶ Single Windows, OSBPs, risk management, cargo tracking systems
 - ▶ Human resources costs
 - ▶ Especially for custom officials
 - ▶ Regulatory/legislative costs
 - ▶ Reduced revenue from fees and charges

Trade Facilitation and CFTA

- ▶ Establishment of CFTA without TF measures
 - ▶ 4% Stimulation of total African exports compared to baseline scenario by 2022
 - ▶ 4.7% growth of export of industrial products
 - ▶ 52.3% increase in intra-African trade compared to baseline
 - ▶ Share of intra-African export will climb from 10.2% in 2010 to 15.5% in 2022
- ▶ Complementing CFTA with TF measures
 - ▶ Doubling effectiveness of African customs and ports
 - ▶ 10% increase in Africa's total export compared to 4% for CFTA alone
 - ▶ Share of intra-African trade will increase to 22% in 2022

Way Forward

- ▶ Make full use of flexibility of WTO Trade Facilitation Agreement
 - ▶ Special and differential treatment
- ▶ Commitments undertaken at the multilateral level should support regional integration
 - ▶ CFTA
 - ▶ Transformation agenda

ECA Interventions and achievements

- ▶ Policy research
 - ▶ Knowledge generation
- ▶ Knowledge dissemination
- ▶ Capacity building of African officials
- ▶ Achievements
 - ▶ African Alliance for Electronic Commerce
 - ▶ Africa Corridor Management Alliance
 - ▶ Feasibility Study of Dry Ports in Ethiopia

Thank you

The screenshot shows the UNECA website with the following elements:

- Header:** United Nations Economic Commission for Africa logo and name. Language options for English and Français. A search bar.
- Navigation:** A horizontal menu with links: About ECA, Our work, Subregional Offices, Capacity Development, Publications, Events, Media Centre, and contact us.
- HOME:** A section with a list of links: Home, About ATPC, Events, Publications, and Stories.
- African Trade Policy Centre:** A main section with the title "African Trade Policy Centre" and a sub-section "About ATPC". The text describes the center's establishment in June 2003 and its location in Addis Ababa. A "READ MORE" link is provided.
- Top Stories:** A carousel showing a featured article titled "Negotiators meet on trade, transformation and Africa's role in global markets" with a "PREVIOUS" and "NEXT" navigation.
- Stories on African Trade Policy Centre:** A list of recent news items with dates and titles, such as "10 February 2016 The African Trade Policy Centre Launches Third Cycle with a Focused Resource Mobilization Strategy for 2016".
- Publications on African Trade Policy Centre:** A row of five publication covers with titles: "Recommendations from the Multi-", "The Option of a Framework", "Building Trade Capacities for", "The African Growth and", and "Trade Facilitation from an African".

For more information: <http://www.uneca.org/atpc>