

## **Inye Briggs, African Development Bank**

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#### **A few Basic Facts: CFTA and Facilitating Trade**

##### **Falling tariffs, rising NTBs**

- Since the conclusion of the WTO Uruguay Round negotiations and the proliferation of Regional Trade Agreements and Free Trade Area Agreements, Tariffs have significantly reduced. Specifically for the CFTA, it is an ambitious liberalization 90% of tariff lines across Africa.
- As tariffs fall, there has also been observed, seemingly correlated rise in Non-tariff barriers. Therefore if NTBs are not significantly reduced as has been the case with tariffs, then NTBs will stand to significantly undermine the progress made in the area of tariff reductions.
- With increasingly lowered tariffs across the globe, the cost of complying with customs formalities has reportedly exceeded in many instances, the cost of duties paid.

##### **Costs of trade in Africa**

- **Compared to the rest of the world**, Africa accounts for the highest costs of doing business. Studies reveal that shipping a car from Japan to Abidjan costs US\$1500, while shipping the same car from Abidjan to Addis Ababa would cost US\$5000.
- It takes 28 days to move a 40ft container from the port of Shanghai, China to Mombasa, Kenya at a cost of a little less than \$1,000 while it takes 40 days for the same container to reach Bujumbura, Burundi from Kenya at a cost of \$7,000.
- It takes 108 hours and costs USD 542 on average to export goods from SSA to the global market, compared to 61 hours (USD 376) in South Asia and 12 hours (USD 335).

##### **Facilitating trade for the landlocked**

- There are 16 landlocked countries on the Continent.
- Average customs transaction for these countries, involves 20-30 steps, 40 documents, 200 data elements and re-keying of 60 - 70% of all data at least once.
- Trade facilitation bottlenecks such as border crossing procedures, cumbersome documentation, regulations, including police checks, account for 14% of trade costs in Africa's landlocked countries, compared to a developing country average of 8.6%.
- Indeed, costs are prohibitively higher for some landlocked countries such as Malawi, Chad and Rwanda where transport and non-tariff barriers add about 56%, 52%, and 46% respectively to trade costs.
- Reports for example indicate that in Benin truck drivers must cross 12 checkpoints and pay \$63.85 in bribes for every 100km.

- African farmers typically receive only 20% to 25% of the final market price of their goods, compared with the 70% to 85% Asian farmers receive. “Most of the difference comes from transport costs

### **The WTO TFA, what it portends**

- Estimates that the WTO Trade Facilitation Agreement if well implemented could create USD 1 Trillion world of global trade, add 21 million new job and lower the cost of doing international trade by 10 – 15%

### **The CFTA’s potential benefits**

- The CFTA can push regional trade levels up from 15% to 25% within a decade
- It could stimulate intra-African trade by up to USD 35 billion-per year, or 52 percent increase in trade by 2022.
- It could also lead to a **USD10 billion decrease in imports from outside the continent**,
- It could also boost agriculture and industrial exports by up to USD 45 billion (7 percent) and USD 21 billion (5 percent) respectively.
- Gains in real income/employment could be higher if the CFTA is **complemented by trade facilitation reforms, reduction of non-tariff barriers**, improved infrastructure and measures to counter-balance negative effects associated with liberalisation reforms such as loss of tariff revenue

### **Why small players are marginalized**

- According to analysts, reasons why many small and medium sized enterprises (which as a whole account in many small economies, for up to 60% of GDP creation are not active players in international trade, has more to do with red tape rather than tariff barriers. The Administrative barriers for enterprises that do not regularly ship large quantities are often simply too high to make foreign markets appear attractive.

### **Some good success stories of trade facilitation in Africa**

- Trade facilitation measures in the costal and transit countries also have spill-over impact to the hinterland countries. The Kazungula Bridge and the Chirundu One-Stop Border Post are just two examples. The Kazungula Bridge connects Zambia and Botswana; interestingly most of the traffic is in transit to the DRC, thereby spreading the benefits to the broader region
- Several African countries have initiated programmes to modernize their customs at the ports of entry and along transit corridors
- The benefits of such initiatives are evident.

- At Chirundu one stop border post between Zambia and Zimbabwe, clearance times for commercial trucks have been reduced from 5 days to a single day with those cleared under the fast lane facility taking at most five hours at the border.
- The clearance time for passenger coaches has been halved from 2 hours to under one hour, thereby facilitating movement of people including small scale traders in the region.
- Improved trade facilitation reforms have also helped raise government revenue through improved collection of import duties based on enhanced efficiency in border management.

### **Summary implications**

Tackling bottlenecks that cause delays in customs clearance and transit through trade facilitation measures such as customs modernization and addressing non-tariff barriers will enable Africa to trade with itself more, taking advantage of geographical proximity and ever improving transport infrastructure among countries.