Trade Facilitation – towards a practical agenda for southern Africa

25 July 2019

Newlands Sun Hotel, Cape Town

On 25 July, tralac and USAID hosted a workshop on trade facilitation in southern Africa. Participants were from civil society, government and the private sector.

Discussions were dynamic and interactive. Over the course of the day, several key themes arose:

- The role for the private sector – in organising, lobbying and addressing trade barriers
- The lack of information and connectivity between different stakeholders
- The challenges of transparency, simplification, harmonisation and corruption

At the close of discussions, participants made recommendations for tralac and USAID going forward.

Why this workshop?

Prof Gerhard Erasmus, tralac Associate, opened the workshop, encouraging participants to contribute with the hope that by the end of the day all would have a clearer perspective on what to prioritise for better trade facilitation.

Evans K. Chinembiri, Trade and Investment Specialist at USAID/Southern Africa and David Cohen, USAID Deputy Director, explained that USAID was examining its trade facilitation programming to identify best practices, to assess whether value for money and impact was being achieved and to identify the best way forward to address trade facilitation barriers. This could be achieved by coordinating across the US Government agencies and repurposing investment to drive two-way trade. Mr Cohen explained that the current USAID focus is on identifying market-driven approaches to address trade challenges.

Trade facilitation initiatives in Southern Africa

Willemien Viljoen, tralac researcher, gave a detailed update on the status of trade facilitation in Southern Africa. Drawing on a range of sources, including the World Bank Logistics Performance Index and Doing Business project, World Economic Forum Global Competitiveness Index, and current active non-tariff barrier complaints applicable to intra-SADC trade registered with the EAC-COMESA-SADC non-tariff barrier mechanism for reporting, monitoring and eliminating non-tariff (barrierstradebarriers.org), Ms Viljoen presented a picture of the state of trade facilitation in southern Africa. As trade becomes more rules based in this part of the world, instead of becoming better, easier and cheaper, it becomes more expensive and unpredictable.

Particular issues noted were:

- Transport costs in southern Africa are significant and prohibitive due to poor infrastructure (hard and soft infrastructure) and administrative delays (regulations, inefficient border procedures, corruption and road blocks).
- Time spent in queues at borders increases transport costs by between 10% and 30%; making allowances for border crossing and transit delays the average speed for a load travelling between South Africa and Zambia is only 6 kilometres per hour
- Costly conformance assessments and quality inspections by third-party inspection services
- Quantitative restrictions, additional fees, import licences, export permits and restrictions.

Participants noted that smaller businesses bear much of the burden – they are less well equipped to resist unlawful charges, have less capacity to absorb high costs and long processes and do not have the skills to engage with complex regulation. Big businesses have a good understanding of all of the processes and Government should engage with these businesses to identify pain points.

Talkmore Chidede, tralac researcher, updated the group about the progress of the trade facilitation agreement, and identified details of trade facilitation programmes across the region. Drawing on this, Mr Chinembiri suggested a detailed matrix of trade facilitation problems, the ease to address them, the costs, timing and political sentiment would be valuable.

Ashly Hope, tralac/Australian Volunteer research mentor, provided a deep dive into three areas where the regulation of services had an important impact on trade facilitation, noting that cumulatively, frictions in services could add up to major trade barriers an that many frictions were caused or could be alleviated via services regulation. The three areas highlighted were:

- Cross-border payments
- Third-party motor vehicle insurance
- Hi-cube container transport

Background papers with further details on these presentations will be available here.

Trade facilitation priorities for the private sector

Mr Michael Lawrence of South Africa's National Clothing Retailers Federation observed that the private sector just wants the system to work. Mr Lawrence also noted that officials do not seem to take responsibility for the problems, and this would become more and more problematic as the economy became more digital.

Mr Lawrence suggested that businesses needed to organise and have a frank discussion with Government about how each can benefit from facilitating trade. Participants questioned why business in South Africa was not organising. Mr Lawrence indicated that the private sector is failing to engage the Government on matters important to them – unlike in countries such as the US, there is a very poorly developed culture of lobbying in South Africa. Furthermore, current trade facilitation problems are focused on trade in goods, but with e-commerce and the 4th Industrial Revolution trade facilitation problems are bound to become increasingly complex.

Mr Joseph Musariri of Zimbabwe's Freight Forwarders Association shared trade facilitation issues identified by his organisation including:

- Connectivity which requires both hard and soft infrastructure
- Addressing non-tariff barriers like roadblocks, corruption, border delays and the cost of permits

To address challenges, Mr Musariri suggested:

- Border enterprise management systems and one stop border posts
- Regional transit bond guarantees to reduce border crossing and transit times
- Better adherence to rules of origin

Mr Musariri also noted that as well as institutional changes, individual company awareness needed to be changed.

Elizabeth Warn of the United Nations Migration Agency (IOM) reminded participants that goods do not walk across borders by themselves and suggested that the human migration perspective of trade facilitation is too often overlooked. Ms Warn also noted that because it is so often overlooked, there is a lack of data on who crosses, how frequently, what do they do, where they cross and how they cross.

Ms Warn noted that the WTO places a lot of emphasis on the coordination of border agencies regarding goods, but this does not extend to immigration. However, barriers to human mobility creates a non-tariff barrier – if it takes a person longer to cross the border, it increases the cost of trade. A single agency approach is seen as a way of increasing efficiency and requiring less trust and coordination, but immigration and customs agencies have a completely different approach. She challenged participants to consider how these could be reconciled.

Prof. Erasmus noted that although the legal instruments regarding trade and movement of persons were all open for signature at the Kigali summit in 2018, the number of signatures was significantly less on the movement of persons. Since that time, the two have been decoupled – these instruments are now on separate tracks following two separate legal approaches. The only exception will relate to trade in services.

Addressing trade facilitation challenges – what is happening in Africa's new trade agreements?

Prof. Erasmus, Mr Chidede and Ms Viljoen discussed the way trade facilitation was being incorporated into the AfCFTA.

Prof. Erasmus noted that the AfCFTA is still not complete. The target dates for tariff schedules are next year. Under the current instruments nothing is yet able to be traded.

Mr Chidede explained how NTBs and trade facilitation issues are being dealt with in the legal instruments, noting that this draws heavily on the WTO trade facilitation agreement.

Ms Viljoen took the group through the tradebarriers.org and Borderless Alliance websites, which are complaint mechanisms. Although these mechanisms have some value, there are numerous problems including:

- An ad hoc system to report barriers as they arise
- Inability to address complaints which require policy changes or policy development
- Long processes – the system administrator must first contact a national focal point, who then contacts the appropriate person in country to resolve
- Inability to permanently address barriers to trade in southern Africa

Prof Erasmus noted that this mechanism will be expanded to the AfCFTA, but it is not designed function in this way. Responsibility for fixing trade facilitation is being put on this mechanism, but State parties do not use it, and RECs are not parties to the agreement. A legal instrumentality must be provided that is binding, enforceable and offers remedies.

Prof Erasmus also updated participants on South Africa's new border management law, which will amalgamate customs and border protection – further complicating border management.

A practical and policy approach to trade facilitation

Ruby Swigelaar of Wesgro discussed the role of Wesgro in facilitating inward and outward trade to and from the Western Cape. Ms Swigelaar noted that one of Wesgro's biggest barriers to engagement was the perception that Government had nothing to offer business. However, Ms Swigelaar suggested that Wesgro has in fact been successful in both promotional activity but also in addressing pain points in the market – such as visa processes.

Ms Swigelaar indicated that as a government entity, they had more lobbying power and more access to government than they would as a private entity.

Jason Blackman from DHL provided practical perspectives from DHL's standpoint. He noted that trade facilitation is very frustrating and slow moving in Africa – it is volatile, unpredictable, complex and ambiguous. Nevertheless, DHL had seen progress, including in capacity to stem corruption and ratification of and compliance with international standards.

To better facilitate trade, DHL supports:

- A risk-based approach to customs
- Transparency – including online data sources
- Similar standards across the continent and a transition to international norms
- Simplification of customs and documentation compliance

Mr Blackman observed that there was a tendency to focus on revenue generation rather than risk management.

DHL reports that on the positive side, Authorised Economic Operator (AEO) programmes are starting to hold some leverage and regional trading blocs are gaining traction.

In terms of where to focus, DHL suggests:

- National Trade Facilitation Committee and private sector collaboration
- Less regulatory barriers – adaptive regulation – where the environment changes regulation must change
- De minimis expansion
- Pre-arrival clearance
- AEO (including logistics operators)

Mr Blackman also shared details of DHL's work with the Global Trade Alliance and with GIZ in Rwanda, where it was training coaches and will then train SMEs on exports. GIZ will open an e-commerce express service centre in Rwanda, which will eventually be self-sustaining. Rwanda's success could be attributed to an 'enlightened government'.

What does tralac do to facilitate trade?

Eckhart Naumann, tralac Associate, gave an update on the African Growth and Opportunity Act (AGOA), its impact on Africa's exports to the US and the future of the trading relationship. Mr Naumann also shared information on tralac's agoa.info website and provided a preview of the AGOA Business Connector.

Shaping a practical trade facilitation agenda for Southern Africa

In closing, participants highlighted their priorities for trade facilitation, and discussed what tralac and USAID can do:

- Continue to provide a **platform** for discussions such as this one that connect policy people with the private sector, including discussions:
    - about **revenue** for governments
    - that give a voice to **affected parties** (e.g. truck drivers)
    - that include **lawmakers**
    - about facilitating **trade in services**
- **Measure** the impact of human mobility barriers
- Put the **private sector** in the driver's seat to address trade facilitation challenges
- Draw upon and put together **data** and **information** so businesses understand the bottlenecks
- **Simplification** of customs – de minimis, pre-clearance and how to risk profile
- Leveraging **technology** to distribute **information**
- Connect **donors** and industry bodies
- Interpret and share **information**
- Naming and shaming poor performers, but more importantly, **elevating** good performers

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