The evolution of the trade facilitation concept, best practices and the Tripartite Comprehensive Tripartite Trade and Transport Facilitation Programme (CTTTFP)

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1. Introduction

Some of the challenges associated with the high cost of doing business in the region include high transaction costs and complex trade procedures; high transportation costs (transportation costs in Africa are considered among the highest in the world); inadequate and inefficient infrastructure (including road, rail and ports); variations in transit charges, customs valuations; weighbridge calibrations and technical standards; roadblocks and checkpoints; corruption; and inefficient customs procedures and excessive documentation requirements. Trade facilitation can address these challenges and provide an opportunity for southern and eastern Africa countries to increase the benefits associated with trade liberalisation which can contribute to economic growth, development and poverty alleviation. Trade facilitation programmes can assist countries by reducing the cost of doing business in the region which can increase the competitiveness of African businesses in regional and world markets.

Better border and customs management, improved infrastructure, open and competitive markets in logistics and service sectors and harmonised regional standards can reduce trade costs and increase competitiveness which can improve export performance and the creation of more trade and job opportunities contributing to an overall increase in economic growth and poverty alleviation. The benefits associated with trade facilitation programmes increase exponentially when multiple areas are improved at the same time, for instance customs reforms along with infrastructure upgrades. Overall trade facilitation can benefit African economies in the following ways:

- Reduce transportation costs;
- Reduce trade costs for both importers and exporters;
- Increase trade and investment opportunities;
- Improve tariff collections; and
- Increase Gross Domestic Product (GDP)

All role-players stand to gain from trade that is faster, easier and less costly:

- **Government**: efficient deployment of resources and border procedures make it possible for government officials to process more goods and improve control over imports and exports which can increase government revenues.

- **Private sector**: a reduction in overall trade costs and improved infrastructure along the whole value chain can increase the efficiency and thus the competitiveness of the private sector. The reduction of trade costs can also increase the opportunities for
domestic small and medium enterprises to participate in the international trading system.

- **Consumers:** an increase in the competitiveness of domestic industries and a reduction in trade costs can have a positive influence on the consumer surplus if lower costs for producers are translated into lower prices for consumers.

- **Foreign Direct Investment (FDI):** improved infrastructure and overall trading conditions can act as a catalyst to attract new or increased foreign direct investment.

Trade facilitation is a key instrument in the agenda to further regional integration in southern and eastern Africa. Trade facilitation as a joint venture with regional integration can foster regional economic cooperation and intra-Africa trade that enhances economic opportunities and regional competitiveness and can create regional markets necessary for the development of the private sector and regional value chains. Trade facilitation measures can support deeper regional integration efforts through the creation of bilateral and regional trade infrastructure (such as one-stop border posts and trade corridors), the harmonisation of standards and technical requirements and the provisions of cross-border or regional financial services (like regional guarantees and financial transfer systems). Regional integration increases the opportunity for African countries to develop regional value chains that increase the competitiveness of the private sector on the regional level and also provides these businesses with the opportunity to access global value chains.

However, for countries to harness the full benefits of trade facilitation associated with a reduction in the trade costs along the whole value chain, trade facilitation programmes must be focused on more than just issues related to moving goods across the border. The concept of trade facilitation has evolved significantly over the last years, recognising the need for an integrated and comprehensive approach to reducing the cost of international trade to increase economic growth and development and enhance poverty alleviation efforts. This comprehensive approach forms part of the framework for trade facilitation in the COMESA-EAC-SADC Tripartite Free Trade Area which goes beyond the classic view of trade facilitation and is based on best practices developed through countries’ experiences with trade facilitation programmes.

2. **Background**

Trade facilitation measures have become increasingly important as instruments to create a better trading environment and can provide opportunities for African countries to increasingly
benefit from international trade contributing to economic growth and poverty reduction. The international community has increasingly recognised the importance of the coexistence of improved market access and the capabilities to trade in order the fully harness the benefits associated with trade liberalisation. This realisation formed an important motivation for including trade facilitation measures in the multilateral trade negotiations framework of the World Trade Organisation (WTO).

Trade facilitation was included in the WTO agenda for the first time at the Singapore Ministerial Conference in 1996. The primary motivation for the inclusion was to accelerate the movement and clearance of goods in international trade and transit. At the conclusion of the Singapore Conference the WTO Council for Trade in Goods (CTG) was requested to do further analytical work to establish the scope of the existing WTO rules in the area of trade facilitation. Trade facilitation measures also featured in the Doha Ministerial Declaration of 2001 when the CTG was requested to review the GATT 1994 Articles V (transit of goods), VIII (import and export fees and formalities) and X (trade regulation administration and publication) pertaining to trade facilitation and identify the trade facilitation needs and priorities of the WTO member countries. The previous analytical work undertaken by the CTG was expanded to the substantive negotiations modalities currently in Annex D of the Doha Agenda Work Programme (the July Package) of 2004.

The aim of the trade facilitation negotiations under the Doha Round of Multilateral Trade Negotiations is to simplify border procedures, reduce physical bottlenecks to trade and increase the capacity of developing and least developed countries to participate in the international trading system. The negotiations are focused on two main areas, namely the substantive trade facilitation rules (GATT 1994 Articles V, VIII and X) and the incorporation of special and differential treatment provisions. In terms of the substantive rules Annex D states that negotiations must aim to clarify and improve Articles V, VIII and X and aim to enhance technical assistance and capacity building in these areas based on the needs assessment completed for all developing and least developed member countries. Currently Articles V, VIII and X contain the following provisions:

- **Transit of goods (Article V):** The article defines the meaning of transit, stipulates freedom of transit and allows WTO members to regulate transit traffic through their territories as long as traffic is not unnecessarily delayed or restricted. The principle of non-discrimination also applies to charges, regulations and formalities in connection with transit traffic in like products transported via the same route under the same conditions.
• **Import and export fees and formalities (Article VIII):** This article explicitly limits fees and charges members can levy on imports and exports to the approximate cost of the services rendered. The article also recognises the need to simplify fees, formalities and documentation requirements on imports and exports applicable for consular transactions, quantitative restrictions, licensing, exchange controls, statistics services, documentation and certification, analytics and inspections and quarantine, sanitation and fumigation.

• **Administration and publication of trade regulations (Article X):** This article states the publication requirements for laws, regulations, judicial decisions and administrative rulings applicable to product valuations, import duties, taxes, other charges, restrictions or prohibitions of imports and exports, the transfer of payments and agreements affecting international trade. It is also required that all laws, regulations, decisions and rulings must be administered in a uniform manner.

In order to clarify and improve these articles some of the trade facilitation measures which have been suggested by the WTO member countries include:

• **Article V:** improved cooperation and coordination among border authorities, cooperation and coordination of documentation requirements, publication of transit formalities and documentation requirements and the simplification of formalities and requirements.

• **Article VIII:** proper publication and notification of fees, prohibition of the collection of unpublished fees, automated payment methods for fees, the use of international standards, uniform customs code, single-window and the elimination of pre-shipment inspections.

• **Article X:** internet publication of information, timely notification of trade regulations, allowing for a reasonable or set time period between the publication and the entry into force of trade regulations and the establishment of enquiry points or single national focal points.

In terms of special and differential treatment provisions Annex D recognise that these provisions must go beyond the traditional transitional periods for the implementation of commitments and that the extent and timing of entering into commitments must be based on the implementation capacities of each developing and least developed WTO member country. Developing and least developed countries must also not be obliged to invest in infrastructure projects beyond their means and must only be required to undertake
commitments to the extent of their individual developmental, financial and trade needs and administrative and institutional capabilities.

3. The evolution of the concept trade facilitation

Although there are different interpretations of the term ‘trade facilitation’, the classic approach to defining the scope of trade facilitation projects are predominantly focused on the administrative processes at the border, especially the removal of trade barriers on goods trade at and around borders, including the simplification of customs procedures. This classic view is articulated in the definition of trade facilitation used in the World Trade Organisation (WTO) where trade facilitation is defined as:

…the simplification and harmonization of international trade procedures, including the activities, practices and formalities involved in collecting, presenting, communicating and processing data and other information required for the movement of goods in international trade.

This traditional view of trade facilitation focuses on the removal of barriers to trade in goods at the border through the improvement of border and transit management procedures and the implementation thereof. However, trade facilitation has grown beyond just fixing issues arising at the border.

In a wider definition, trade facilitation needs to address challenges along the whole value chain due to the economic impact of each of the processes in the production-distribution-consumer chain on the time and cost of delivering goods into the trading system. This comprehensive view of trade facilitation looks at the costs involved from production to delivery of goods and services to foreign buyers which then includes all the transaction costs directly and indirectly associated with the international trading system. This shows that although the movement of goods over and at borders is an important part of the international trading system it is not the only challenge affecting the overall cost of delivery along the complete supply chain.

Thus trade facilitation measures must assist countries with more than just border issues and be designed in a manner to assist countries in lowering overall trade costs making countries more competitive in regional and world markets. In this wider sense, trade facilitation covers various causes of high trade costs and all regulatory measures affecting the flow of imports and exports, including:
• Transportation costs and logistics;
• Physical infrastructure;
• Additional market entry barriers;
• Customs control measures;
• Technical regulations; and
• Quality control inspections

The modern view of trade facilitation thus include many factors which are related to measures traditionally known as non-tariff barriers, including customs surcharges, transfer delays, non-automatic licensing, technical regulations, pre-shipment inspections and inadequate infrastructure.

4. Best practices in trade facilitation

The concept of trade facilitation has evolved over the last years from a narrow definition which only focuses on the movement of goods across borders to an integrated approach which includes the environment in which trade transactions take place. According to the International Chamber of Commerce (ICC) trade facilitation should be a comprehensive and integrated approach to reduce the cost of international trade and to ensure that all relevant trade-related activities take place in an efficient, transparent and predictable manner which are based on internationally accepted norms, standards and best practices.

Some core principles which can inform the development and implementation of trade facilitation programmes and initiatives include:

• High-level political commitment is required for the successful implementation of any programme;
• Programmes must foster public-private partnerships;
• Legislative and financial requirements for any programme must be identified;
• Programmes must promote transparency in trade;
• Training and technical support must be built in to the programme;
• Progress and performance must be monitored; and
• Follow a pilot and phased approach to implementation
Various best practices, in the different areas of trade facilitation, can be formulated based on the different experiences of the Asia-Pacific Economic Cooperation (APEC), European Commission and Association of Southeast Asian Nations (ASEAN). These practices are shows in box 1 below. These best practices can be used as a guideline or basic point of reference for the development and implementation of bilateral and regional trade facilitation programmes. However, these practices must be flexible enough to be adapted to the requirements of different countries and the type of approach bilateral and regional configurations take to improve and enhance trade facilitation efforts within their configurations.

Box 1: Best practices in various areas of trade facilitation

<table>
<thead>
<tr>
<th>Publication and administration of trade regulations</th>
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<tr>
<td>• Publicly available and easily accessible</td>
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<td>• Enquiry points to deal with complex trade and customs rules, regulations and procedures</td>
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<td>• Allow for a reasonable time period between publication and implementation</td>
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<td>• Effective appeal mechanism</td>
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<th>Trade procedures and documents</th>
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<tbody>
<tr>
<td>• Simplification, harmonisation and standardisation</td>
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<tr>
<td>• Trade procedures, data and documents should be based on international standards and instruments</td>
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<tr>
<td>• Data and documents should be kept to a minimum</td>
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<tr>
<td>• Clearance and release procedures should be kept simple</td>
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<td>• Customs procedures are uniformly applied</td>
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<td>• Procedures for pre-arrival and pre-departure processing of documentation are in place</td>
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<th>Product standards and conformance</th>
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<tr>
<td>• Non-discrimination in applying product standards</td>
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<tr>
<td>• Avoidance of unnecessary obstacles to trade</td>
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<tr>
<td>• Harmonisation of standards based on international standards</td>
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<tr>
<td>• Transparency in technical requirements and standards</td>
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<th>Trade related infrastructure and services</th>
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<tr>
<td>• Transparency in regulatory infrastructure</td>
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<tr>
<td>• Regulatory objectives should be pursued using market-based mechanisms. Trade-related infrastructure and service sector regulations should aim to promote competition among stakeholders</td>
</tr>
<tr>
<td>• Non-discrimination of regulatory provisions</td>
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<td>• Effective regulations must be put in place</td>
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<th>Transit trade</th>
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<td>• Transit trade must be granted expedited and simplified treatment at the border</td>
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<tr>
<td>• Effective customs guarantee system must be in place</td>
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<td>• Cooperation and coordination between authorities on both sides of the border</td>
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5. The Tripartite Free Trade Area (TFTA) Comprehensive Tripartite Trade and Transport Facilitation Programme (CTTTFP)

Although the value of goods traded across borders has grown exponentially over recent years, African countries have not yet benefitted greatly from this increase in international trade. This has mainly been due to high transaction costs associated with doing business in the region and the movement of goods across African borders. In the COMESA-EAC-SADC TFTA the cost of doing business is directly linked to transportation costs and the time it takes for a journey to be completed. The longer the time taken for the journey the more expensive the cost of the goods and the less competitive the private sectors of the Tripartite member states become.

The need to address these high transportation costs and other barriers to intra-regional trade has highlighted the importance of trade facilitation in the region. Various non-tariff barriers in the region have a detrimental effect on the potential for intra-regional trade among the twenty-six Tripartite countries. These barriers include roadblocks and checkpoints, corruption, inadequate infrastructure, duplicate border procedures and cumbersome documentation requirements. To address these challenges the COMESA-EAC-SADC Tripartite launched the Comprehensive Tripartite Trade and Transport Facilitation Programme (CTTTFP). The objectives of this programme are to increase trade and promote economic growth in the region, reduce high trade costs, reduce transit times and transaction costs along the principal transport corridors and improve the effectiveness of aid programmes. The Programme consists of the following initiatives:

- Mechanism for reporting, monitoring and eliminating non-tariff barriers;
- One-stop border posts;

Public-Private sector collaboration

Ensure that an effective mechanism is in place to facilitation public-private sector collaboration by setting up a national trade facilitation body. The aim of the body is to assist with the identification of issues affecting the cost and efficiency of trade, developing measures to reduce the cost and improve the efficiency of trade, assist in implementing measures and provide a focal point for the collection and dissemination of information.

Coordinated border management

- Political commitment is vital
- Nominate a leader agency at the border to take responsibility for coordination
- Start with joint customs control followed by comprehensive joint controls encompassing all agencies
- Involve the private sector to support coordinated border management
• Integrated Border Management (IBM) Systems;
• Regional customs bond guarantee;
• Regional transit management system;
• Computerised immigration systems and single window;
• Programme to address the market liberalisation of the transport sector through international regulatory mechanisms and the regional harmonisation of road traffic legislation.

In evaluating some of the initiatives of the CTTFP it is evident that the Programme goes beyond the classic view of trade facilitation by focusing on issues beyond transportation and customs at the border in a quest to address all barriers to trade along the whole value chain. The development and implementation of these initiatives have also taken cognisance of some of the best practices formulated above.

5.1 The One-stop border post at Chirundu between Zambia and Zimbabwe

The One-stop border post at Chirundu was launched in December 2009 through a bilateral agreement between Zimbabwe and Zambia as the pilot programme for further one-stop border posts to be developed in the region with the aim of:

• reducing transit times;
• improved competitiveness of goods in the region due to the decline in delays at the border; improved exchange of information; and
• increased revenue collection

The OSBP has already contributed to a reduction in fraudulent activities by importers and clearing agents, a decline in delays for commercial transit traffic, effective and efficient passenger traffic clearance and improved competitiveness among the regional industry due to reduced costs associated with goods clearing the border. However, some challenges still remain including inadequate publicity and informative signage and a lack of comparable facilities.

Although the development of the OSBP was mainly focused on addressing issues at the border, it also involves the coordination of all the agencies involved with the border management and takes cognisance of the important role decreased delays at the border play in increasing competitiveness of the private sector in the region. Various best practices were also adhered to in the development and in preparation for the implementation of the OSBP:
• The importance of support and commitment at the highest political level;
• Cooperation and coordination among all relevant border agencies were required; and
• The private sector was included in the design of the OSBP through various consultations among border post consultations took place among the COMESA and SADC Secretariats and the public and private sector, which resulted in the formation of sub-committees that were responsible for specific project deliverables

5.2 Mechanism for reporting, monitoring and eliminating non-tariff barriers

The identification, removal and monitoring of NTBs to trade is one of the priority areas for the Tripartite Framework. NTBs contribute significantly to the high cost of doing business in the region. Some of the NTBs most problematic in COMESA, the EAC and SADC are SPS and TBT measures, quotas and bans, varying transport and transit procedures, inadequate infrastructure and corruption. In order to address these issues all three RECs are implementing the NTBs reporting, monitoring and eliminating mechanism which incorporates concrete timelines for the removal of NTBs. The mechanism is a web-based system which allows all interested parties to report any NTB they have encountered in the region and monitor the resolution and elimination of the reported barrier. The system focuses on eight categories of NTBs: government participation in trade and restrictive practices tolerated by governments; customs administrative entry procedures; technical barriers to trade; sanitary and phyto-sanitary measures; specific limitations; charges on imports; other procedural problems and transport, clearing and forwarding.

The NTBs mechanism is a cross cutting programme in the trade facilitation programme of the TFTA. It has synergies with infrastructure development, particularly in the transport sector, customs and investment as it identifies barriers to trade related to other trade-related programmes. The mechanism goes beyond just addressing border issues and focuses on eliminating barriers to trade along all transport corridors across the whole region. The efficient use of this mechanism has the potential to benefit all role players through COMESA, the EAC and SADC, including government, private sector and consumers. Eliminating NTBs in the Tripartite region will also significantly contribute to creating regionally integrated industries and supply chains and increase the competitiveness of regional producers.

6. Conclusion

Trade facilitation measures have become increasingly important as instruments to create a better trading environment and can provide opportunities for African countries to increasingly benefit from international trade contributing to economic growth and poverty reduction.
However, for African countries to truly benefit from trade facilitation efforts, reducing the cost of doing business in the region and creating regional integrated markets and supply chains, the focus of trade facilitation programmes and initiatives must be broader than just border and transportation issues. The focus should be on addressing all barriers to trade along the regional and global value chain. Through the design of the CTTTFP, countries in COMESA, the EAC and SADC have recognised the importance of designing and implementing trade facilitation programmes which are based on international best practices and follow an integrated and comprehensive approach to reducing trade costs and improving overall competitiveness.
References


