



ECONOMIC COMMISSION FOR AFRICA
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**Trade Facilitation in a Multilateral Framework:
Challenges for Africa**

Statement by

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I. Synopsis

The Need to Position Trade Facilitation in Africa in a Broader Framework of Development Challenges that Confront the Continent

The Need to acknowledge the Problems of Trade Facilitation on the African Continent

The Need for Pragmatic Solutions to Trade Facilitation Problems of African Countries

The Need to Acknowledge the Capacity Constraints Faced By African Countries and the Digital Divide

The Importance of Accepting the Additional Resource and Capacity Burdens That Would Arise for African Countries in the Implementation of a Multilateral Framework on Trade Facilitation

II. Trade Facilitation, Economic Growth and Trade Expansion

Many of the presentations that have been made at this Forum have tried to show the benefits and costs that may arise from intensified efforts at trade facilitation and at the adoption of multilateral rules that could govern “trade facilitation”. Indeed, many acknowledge, including us in Africa, that trade facilitation can contribute significantly reducing “transactions costs” in both domestic and international trade.

As some of the previous speakers have stated, trade facilitation should not only be perceived as a “transportation problem”, but rather as a broader issue, which straddles many aspects of the weak capacities that exist in many developing countries which inhibit their effectively participate in international trade. This aspect is nowhere more true than in Africa. Accordingly, the problem of trade facilitation in Africa has to be perceived in a broader context of the weak capacities existing in all aspects of African economies, ranging from weak transportation networks, dilapidated communications systems, poor port facilities, lack of automation systems, lack of transparent regulatory frameworks, cumbersome customs procedures and low-level of human capacity.

Many of our countries and sub-regions in Africa accept this fact and indeed have been trying to implement programmes aimed at facilitating trade in Africa. Some of these programmes have included those implemented by sub-regional organizations, such as COMESA, SADC and ECOWAS, among many others. In the COMESA sub-region, significant

efforts have been expended on harmonization of customs procedures, facilitation of transport systems and networks, development of transport corridors, and automation of trade and customs data. Promotion of a free trade area and a common tariff structure has been one of the milestones in the efforts by COMESA to facilitate trade in Africa. This sub-regional organization has put much effort in regional harmonization of customs and trade statistics systems, developed a standard COMESA customs form, develop transparent COMESA rules of origin, developed databases for producers/exporters/importers, promote transit corridors in the sub-region, promote cross-border initiatives in order to facilitate cross-border trade and encourage the creation of an Africa Trade Insurance Agency. COMESA has been promoting the implementation of the “Automated System for Customs Data and Management (ASYCUDA) developed by UNCTAD in many of its member countries.

Similar efforts have been underway in other sub-regional organizations, such as SADC and ECOWAS. The process of simplifying, harmonizing and speeding up the flow of goods in and out of African countries is progressing rapidly. Many African countries acknowledge the benefits that could arise from improved trade facilitation and the economic gains that could be generated. It is in this context, that most African countries have welcomed the efforts of institutions and organizations that have tried to assist them to develop the requisite capacity needed for trade facilitation. The Economic Commission for Africa (ECA) has played its role as and when it has been called upon to do so. Nonetheless, most of the efforts on trade facilitation in Africa have been by the sub-regional organizations.

III. Trade Facilitation in Africa: Challenges for the Future

Effective participation in modern international trade requires that all actors, be they governments, corporations, or individual firms should operate on the cutting-edge of technologies not only in the production processes, but also in chain management. Globalization and liberalization of the world economy has led to contestability of domestic markets to a scale never known before and is placing demands on firms, small and large, to adjust to the new environment or face liquidation and bankruptcy. Reducing transactions costs is one important factor for a firm (and a country) to remain competitive in international markets. Such an environment poses even greater challenges for corporations and firms operating in third world

countries, due to the various constraints and weak capacities that they face. Many African countries fall in this league.

The experience of many African land-locked countries, where the margin between C.I.F. and F.O.B. can be as much as 50 percent, is a clear example of the savings that can be made from improvements in transport networks in Africa. However, this aspect is more than the traditional notion of “trade facilitation”. It becomes a fundamental problem of “development” in African countries.

The challenge that faces many African countries is the need to develop requisite capacities needed to implement modern techniques of doing trade. Developing the necessary infrastructure and human skills are two of the most important challenges Africa faces. Progress in these two areas is fundamental for African countries to have the capacity to effectively participate in any trade facilitation programmes that may emerge.

In summary, it is essential for African countries that the issue of trade facilitation be positioned within a broader framework of the need to reduce transactions costs to both domestic and international trade in these economies, within a broader framework of engineering economic growth. A narrow view of trade facilitation runs the danger of focusing more on rationalization of trade procedures and less on dealing with the fundamental constraints, which inhibit the participation on these countries in international trade.

The basis and foundations for the new security rules governing international while understood and appreciated, pose serious concerns for many African countries. The cost of implementation and conforming to these new rules to African countries, especially LDCs, should be underestimated. The benefits from preferential schemes, such as the AGOA and EBA, could be seriously undermined by the non-tariff barriers, emanating from security concerns.

IV. Trade Facilitation in a Multilateral Framework

Many African countries at the Seattle WTO Ministerial Conference, while appreciating the importance of trade facilitation as an “economic phenomenon” expressed reservations at that stage as to the need for a

“multilateral framework” on trade facilitation. This was still in the position of many of these countries at the Doha WTO Ministerial Conference.

While acknowledging that African countries were coerced in accepting the wording of the Doha Declaration on “trade facilitation”, many would have preferred for this issue, like many of the Singapore issues, not to be included on the Doha agenda. The ABUJA MINISTERIAL DECLARATION ON THE FOURTH MINISTERIAL CONFERENCE OF THE WTO, adopted by African Ministers of Trade in Abuja, Nigeria in September 2001, stated as follows:

“We recognize that issues such as trade and investment, competition, transparency in government procurement, trade facilitation, trade and environment and e-commerce are important. However, we agree that these issues are not a priority at this stage and on-going processes should continue in order to prepare for possible future work in this area”.

Furthermore, in the AFRICA'S NEGOTIATING OBJECTIVES FOR THE FOURTH MINISTERIAL CONFERENCE OF THE WTO adopted by the same Ministerial Conference, Ministers stated that:

The general assessment is that trade facilitation measures are necessary and beneficial to all countries. In this context, on-going work within and outside the WTO (e. g. rules of origin, customs valuation) should continue. Improved facilitation will require increased technical and financial assistance to narrow the technology and human resources gaps that exist between developed and developing countries.

As preparations for the Cancun WTO Ministerial Conference progress, certain positions are emerging on the issue of a multilateral framework on trade facilitation. The position that appears to be emerging among LDCs may be stated as follows:

“Paragraph 27 of the Doha Declaration instructed the Council for Trade in Goods to review and as appropriate clarify and improve the relevant aspects of Articles V, VII and X of the GATT 1994 and identify the trade facilitation needs and priorities of members, in particular developing and LDCs. Some aspects of trade facilitation are

vital for LDCs. For instance, the question of understanding of international standards is vital for the promotion of LDC exports. Our standards institutions should be strengthened immediately, so that they can properly advise our exporters. On the other hand, much current thinking on trade facilitation pre-supposes the establishment of common procedures, rules and regulations on the movement of goods. To implement such laws and procedures will be very costly for LDCs, which they cannot afford at this stage. Hence, it is too early for the development of an agreement within the WTO in this area. Outside of the WTO framework, current efforts to assist the LDCs in this are may continue”

V. Trade Facilitation. The Need for Technical Assistance for Africa

African countries will require extensive technical assistance in order to master the art of doing business in a competitive and highly sophisticated trading environment, with or without a multilateral framework on trade facilitation. There is need to build on the current efforts by African countries individually and collectively through sub-regional economic communities to reduce transactions costs for both domestic and international trade. The Economic Commission for Africa intends to play its modest role in this respect.

Following last year’s Trade Facilitation Forum, United Nations Regional Economic Commissions proceeded to develop a Project on Trade Facilitation. The objective of the joint project of the five Regional Commissions is to strengthen both the international competitiveness as well as the negotiating capacity of developing countries by sharing knowledge on problems and best practices in the various countries and regions on (1) trade promotion and diversification; (2) a greater participation of small and medium enterprises (SMEs) in global supply networks; (3) designing and implementing trade facilitation policies at national and regional levels, and (4) a greater use of knowledge management and information and communication technologies in supply chain management.

This in our view should be the focus of efforts to enhance capacities for trade facilitation in Africa. A great deal needs to be done to equip African countries with the requisite infrastructure and skills needed to effectively participate in global trade. The ECA, in collaboration with other

regional economic communities and UN agencies, intends to play its role in this respect.

Thank you for listening.