



Promoting inclusive trade in Africa

Boosting cross border trade through simplified trade regimes: Supporting local businesses to address the informal economy in Africa

European Development Days 2017
Thursday, June 8, 2017, 15:15-16:30, Room D2

PROGRAMME

Theme: Sustainable Investment

Context:

Cross-border trade in Africa includes small traders, many of whom are women and youth. The latter especially face a number of challenges including harassment, corruption, excessive charges, impounding of goods, and difficulties in obtaining passports and visas. Many are not aware of the Simplified Trade Regime (STR), which is designed specifically for small traders who regularly transact in low value consignments and which exempts small consignments of goods from customs duties and other related taxes. The STR programme is meant to benefit the small scale cross-border traders in employment creation, food security and promotion of cross pollination of goods within the regions. Hence, the need to empower traders and encouraging formalisation with information on trade provisions such as the STR.

Moderator: **Isolina Boto**, *Manager, CTA Brussels Office*

Panellists:

Stefano Manservigi, *Director General, for International Cooperation and Development Director-General European Commission/Devco,*

Koen Doens, *Director East and Southern Africa and ACP coordination at European Commission*

Frank Matsaert, *CEO, Trademark East Africa*

Hermogene Nsangimana, *CEO, African Organisation for Standardisation (ARSO)*

Janet K. Ngombalu, *Regional Programme Coordinator, Eastern African Grain Council (EAGC)*

Info: <http://bit.ly/2q65OfZ>



Promoting inclusive trade in Africa

*Boosting cross border trade through simplified trade regimes:
Supporting local businesses to address the informal economy in Africa*

European Development Days 2017
Thursday, June 8, 2017, 15:15-16:30, Room D2

BACKGROUND NOTE

Context

In spite of the adoption of the Abuja treaty in 1991, intra-African trade still remains low. While regional trade in North America and Western Europe reaches 40 % and 60 % respectively, intra African trade is approximately 10 %. Africa is therefore not yet taking full advantage of its own available market, a population of 1,032 billion people.

One of the many challenges that Africa faces in expanding its own regional trade is the application of poor trade facilitation measures, including uncoordinated border management practices. These unfortunately contribute to Africa's low intra trade levels and cross border trade.

Cross-border trade in Africa concern to a high extent small traders, many of whom are women and youth. The latter especially face a number of difficulties such as harassment, corruption, bribery, excessive charges, impounding of goods and difficulties in obtaining passports and visas. To assist them the Simplified Trade Regime (STR), is being designed and implemented in different regions of Africa. The STR targets specifically small traders who regularly transact in low value consignments and who are exempted from customs duties and other related taxes. The STR is meant to benefit the small scale cross border traders in employment creation, food security and promotion of cross pollination of goods within the regions.

The STR consist more generally of four main instruments, namely: a simplified customs document, a simplified certificate of origin, a common list of products and a threshold for the value of the consignment.

Studies and experiences from different parts of the world show that the simplification and streamlining of documentation requirements as well as import and export formalities significantly reduces transaction costs associated with trade. Such measures are particularly important for small-scale cross-border traders who often do not have enough financial resources or human capacity to deal with complex administrative procedures. For small or low-value consignments often channelled by such traders, the costs of complying with complex requirements and formalities can be disproportionate relative to the transaction value.

Link with International Agreements

Article VIII of the World Trade Organization's GATT Agreement and provisions of the Revised Kyoto Convention for the Simplification and Harmonization of Customs Procedures suggest the development and implementation of simplified trade procedures for eligible small scale traders to overcome some of the challenges mentioned above.

Why implement the STR?

The Simplified Trade assists small scale cross border traders by providing, amongst others:

- Information on the benefits of trading with other RTA or FTA countries, especially neighbouring countries
- Reduced clearance costs

- Less delays in the clearing of goods and/or processing of tax refunds
- Simplified certificates of origin
- Simplified customs documents

Who can use the STR?

Most often small scale cross border traders (especially women and young entrepreneurs) importing or exporting goods from neighbouring countries in a regional market (RTA or FTA). Usually it helps, small scale cross border traders who export small amount of goods (for example, valued at about US\$1000 or even less per consignment). The concerned goods are listed on a STR Common List.

Selected examples of STRs in African RTAs and FTAs

COMESA has introduced the STR, i.e. a simplified Customs Clearance procedure for its Member States for goods that have been grown or wholly produced in the COMESA Region and appear on a negotiated Common List. Some Member States are already implementing this. Small scale cross border traders benefit by completing simplified Customs Document and simplified COMESA Certificate of Origin.

EAC: Under the EAC Customs Union, the Simplified Trade Regime (STR) is also implemented and aims specifically at small traders who regularly transact in low value consignments. An approved simplified certificate of origin (SCOO) exempts consignments of goods that:

- a) originate in the EAC and
- b) are valued at under US\$ 2,000 from payment of import duty in the EAC destination country.

SADC: The Southern African Development Community (SADC) ministers responsible for trade have mandated the SADC Secretariat to develop a Simplified Trade Regime (STR) for intra-SADC in 2017. The draft proposal, informed by a best-practice and scenario analysis, will then be considered by SADC Structures for final approval by SADC Ministers in the near future.

ECOWAS: In 2013, the ECOWAS member states signed a protocol to create joint border posts in order to reduce the number of checkpoints along various trade routes. ECOWAS has drafted a Regional Border Management Manual for use in immigration and security training institutions in the sub-region. In 2014, ECOWAS, in partnership with the UN Industrial Development Organisation (UNIDO), the World Bank and the German Development Corporation (GIZ) launched a €40 million trade support and integration programme¹⁶ meant to accelerate the customs union agenda, develop and harmonise trade policies in the region, compile trade data and efficiently disseminate trade information across the sub-region.

Lack of Information on the STR

Most traders on the continent lack sufficient knowledge about the STRs and regulations in general and how they can benefit from RTAs or FTAs. This deficiency in information makes small traders vulnerable to harassment and corruption, including excessive charges, bribe extortion, impounding of goods, difficulties in obtaining passports and visas etc. Faced with uncertainty about tariffs and taxes applicable to consignments, many traders choose to travel through more difficult (smuggling) routes, where they are exposed to high risks in the forms, for instance, of gender-based violence. Women entrepreneurs are even more vulnerable and at risk here.

Hence, African small traders, including women associations of exporters need to be empowered with information on trade provisions such as the STR, encouraging formalization and increased compliance, while helping them grow their revenues and profits from their trading activities.

Conclusion

Many African regions are formulating regional approaches to cross border trade and trade facilitation in general. There are important examples where particular approaches have worked well. For example, some trade facilitation initiatives have generated positive effects directly, such as the reductions in the time taken for freight to cross the Zambia–Zimbabwe border. Similar reductions in border crossing times along the

Trans-Kalahari, Northern and Maputo Development Corridors (the latter has also benefited from improved road and rail infrastructure) and the expansion in market opportunities that has improved the livelihoods of small traders (both formal and informal).

However, implementation of Trade facilitation, including initiatives such as STR remains a major issue. In many cases, the implementation of regional trade facilitation agreements is not consistent across African RECS, and not even within certain RECs. Many African countries are members of more than one REC and thus face varied implementation requirements and instruments. Hence, coordination problems between members sometimes make it difficult to operationalise trade facilitation agreements and border measures. A holistic approach to coordinate activities at border crossings in continental Africa will greatly assist cross border trade. Amongst others, it will reduce the costs of doing business, thereby facilitating trade. Trade costs, (including transportation costs, policy barriers, tariffs and non-tariff costs, information costs, legal and regulatory costs etc) are large, and a significant portion of them results from national regulations and policies. Research has indicated that there are more benefits to be realised from the efforts in increasing Trade Facilitation than those realised from tariff reductions. It is estimated that output gains from average tariff decreases under the Uruguay Round negotiations amounted to 2 % of total trade value, whereas gains deriving from trade facilitation could rise as high as 3 %.

The use of instruments such as the STRs by small traders is part of Trade Facilitation, and will assist empowering SMEs, Women and Young Entrepreneurs in Africa.

Reference documents

African Union on Integrated Border Management

<https://au.int/web/en/newsevents/14527/1st-african-union-commission-workshop-integrated-border-management-harare-zimbabwe>

The relevance of the simplified trade regime in addressing trade protectionism

<http://docsdrive.com/pdfs/medwelljournals/pjssci/2015/10-17.pdf>

SADC moves towards a Simplified Trade Regime <http://www.sardc.net/en/southern-african-news-features/sadc-moves-towards-a-simplified-trade-regime/>

http://www.sadc.int/files/3714/8698/7371/TOR_for_SADC_STR.pdf

COMESA Simplified Trade Regime

http://www.zimra.co.zw/index.php?option=com_content&view=article&id=60&Itemid=115

http://www.comesa.int/zambia-dr-congo-discuss-the-simplified-trade-regime_trashed/

<http://sautiafrica.org/the-simplified-trade-regime-in-the-eac-and-challenges-to-cross-border-traders/>

Trade facilitation and economic transformation in Africa

<http://set.odi.org/wp-content/uploads/2016/03/SET-ACET-ATF-Trade-Facilitation-Paper.pdf>

Regional Trade in Africa

<https://brusselsbriefings.net/past-briefings/47-regional-trade-in-africa/>

Crossing borders: challenges of African women involved in informal cross-border trade

<https://agrigenderjournal.com/2016/12/30/crossing-borders-challenges-of-african-women-involved-in-informal-cross-border-trade/>

Report on the implementation of the European Commission Communication on "Trade, Growth and Development" and follow-up to the Council Conclusions on "EU's approach to trade, growth and development in the next decade"

<https://ec.europa.eu/transparency/regdoc/rep/10102/2016/EN/10102-2016-47-EN-F1-1.PDF>