

# ENHANCING INTRA-AFRICA TRADE: THE NEED TO GO BEYOND HARD INFRASTRUCTURE INVESTMENT, BORDER MANAGEMENT REFORM AND CUSTOMS PROCESSES ENHANCEMENT

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## ABSTRACT

In the past decade alone, unprecedented efforts have been directed towards enhancing intra-Africa trade by diverse stakeholders ranging from governments to regulatory authorities, private sector, global and regional financial institutions and many more from the donor community. Many engagements have been and are still on-going between member states and regional economic blocs at both political and technical levels with a view to not just finding solutions but also mapping implementation strategies to enhance intra-Africa trade, yet there is still very little to show off. Experience indicates that the bulk of efforts have so far been directed towards (mobilising) hard infrastructure investment, de-bottlenecking border posts through introduction of efficient border management systems like integrated border management, single window systems, one stop border post and customs processes and systems enhancement. To date only limited real commitments and effort have so far been directed beyond these interventions thus Africa has very few success stories to tell. This paper looks at key interventions, other than hard infrastructure investment, border management reform and customs processes enhancement that are required in order to effectively improve intra-Africa trade. The paper was compiled based on thorough environmental assessment and stakeholder consultations. Many interventions can be implemented in Africa. However, the key question is how far they will go towards addressing challenges and blockages to intra-Africa trade given the foregoing political and economic environment. In as much as solutions must address corridor non-tariff barriers, delays and cost of doing business, it is imperative to ensure that there is synergy of interest among key stakeholders, capacity building, value addition to goods that are produced in Africa and fine balance between sovereignty concerns and trade facilitation, among others.

**Key words:** Intra-Africa trade, environmental assessment, key interventions required other than regular interventions

## 1. INTRODUCTION

The need for enhancing intra-Africa trade is a theme that dominates discussions in many fora across various public and private sector structures, and forms the strategic thrust of many continental and regional economic communities' protocols and agreements in Africa. The past decade alone witnessed increased momentum from public sector stakeholders (government and regulatory authorities), the private sector, major financial institutions and many more global players including the donor community aimed at enhancing intra-Africa trade. Meanwhile, many arrangements and engagements have been and are still going on between member states and regional economic blocs at both political and technical levels with a view to not just finding solutions but mapping implementation strategies aimed at enhancing intra-Africa trade, yet there is still very little to show off. In order to improve intra-Africa trade, decisive interventions are required that will lead to effective facilitation of trade between African countries.

Trade facilitation is a comprehensive, integrated and deliberate approach that is aimed at reducing the complexity, challenges, time and cost of the trade transaction processes. It is a vital input into the trade equation and is aimed at ensuring that all trade activities are conducted in an efficient, transparent, predictable and cost effective manner in line with internationally accepted norms, standards, technologies and best practices (Wilson, Mann & Otsuki: 2003).

Trade facilitation, especially in developing regions like Africa, provides much needed interventions towards unlocking economic growth, development and improving regional competitiveness, and is constantly on the agenda in many developmental programmes, platforms, engagements and conferences. Traders will gain through reduced transit times, faster delivery and reduced transaction costs whilst governments will profit in terms of enhanced revenue collection, increased economic efficiency, augmented predictability and increased opportunity to divert resources to other national priorities.

In Africa, the need for increasing intra-Africa trade is a matter that is gaining momentum. Reality on the ground indicates that Africa is a continent that does not significantly trade with itself with intra-Africa trade figures estimated at between 10 and 12% compared to Western Europe at 60% and North America at 40%. Meanwhile, over 80% of Africa's exports are shipped overseas, mainly to the European Union (EU), China and the US (Tafirenyika; 2014).

The current share of Africa in global trade is only around 3 per cent compared to 10 per cent in 1950. What is even more worrying for Africa is the fact that trade performance has been weak and stagnant at these low figures for a long time. In a bid to improve trade between countries, member states, development partners and other stakeholders directed the greatest share of effort towards expanding and improving road networks, introduction

of coordinated border management, one stop border posts, single window systems, improving customs processes but this has not had the envisaged impact. Thus, it's hardly surprising that the level of intra-Africa trade has barely moved the needle over the past few decades (Tafirenyika; 2014).

## **2. BACKGROUND**

The need to enhance intra-Africa trade is a topic that features amongst the top agenda in almost all continental and Regional Economic Communities (RECs), protocols, treaties, strategic frameworks, agreements and programmes. It is therefore factual to argue that growing intra-Africa trade is one of the priorities of most African member states. Meanwhile, most of the continent's economies depend on very few primary agricultural and mining commodities for their exports, mainly importing manufactured goods from countries in other continents.

To date, many African RECs have implemented trade-facilitation initiatives in a bid to enhance trade between countries in their respective REC. A few examples of these are:

- The Common Market for East and Southern Africa (the Harmonized Commodity Description Coding System, Advance Cargo Information System, Automated System for Customs Data, Harmonized road transit charges, Harmonisation of road transport standards);
- The East African Community (a zero tariff regime);
- Economic Community of Central African States and Central African Economic and Monetary Community (the protocol on Inter-State Transit);
- The Economic Community of West African States (the West Africa Road Transport and Transit Facilitation, Abidjan–Lagos Transport and Trade Facilitation); and
- The Southern African Development Community (harmonizing overly complex customs clearance procedures).

Despite implementation of these initiatives, which in some cases has not been so successful for various reasons, trade between countries in Africa has not significantly improved over the past few decades. Effective solutions are needed if Africa is to make real progress towards improving intra-Africa trade and the solutions need to go further than current focus on hard infrastructure investment, de-bottlenecking border posts through introduction of efficient border management systems and customs processes and systems enhancement.

### **3. METHODOLOGY**

The paper was compiled based on thorough environmental assessment and stakeholder consultations. Environmental assessment was conducted through review of continental and RECs trade facilitation protocols, treaties, strategies, plans and programmes. Assessment was also conducted with respect to challenges that affect intra-Africa trade and opportunities that lie ahead which can be explored with a view to improving inter-Africa trade.

The authors of this paper are experts and extensively involved in research on road transport challenges and trade facilitation in Africa, and constantly engage with stakeholders in regional secretariats, regional programme offices, corridor management institutions, government, regulatory authorities, transport operators, consignees and consignors. The authors also participate in various technical structures in Africa where transport and trade facilitation issues are deliberated and interventions designed.

### **4. DISCUSSION**

#### **4.1 Intra-Africa trade**

Trade between countries in Africa is guided by multilateral and bilateral agreements concluded by and between member states which set the conditions and regulatory requirements for traders and movement of goods. With no less than eight RECs in Africa, there are too many multilateral and bilateral agreements between different countries and partners which create challenges to trade facilitation and compliance by exporters and importers. Consequently, this increases the transaction costs for those undertaking trade between African member countries. The agreements provide for the framework of trade between countries and regional blocs. The instruments are broadly aimed at enabling African countries and RECs to trade with each other and are often regarded as building blocks for the international trading system. However, the proliferation of bilateral and regional trade agreements has created undesirable consequences as they have also created numerous blocs with different agreements and trade requirements.

The structure of trade in the majority of African countries is strongly determined by the dependency on the exportation of agricultural and raw materials, mostly mineral products. Most of the goods African countries produce have low demand in fellow African countries due to the fact that potential consumers also produce similar products. A key question is who would want to import goods they already have like minerals and agricultural products? This could be the primary reason why goods produced in Africa are not consumed in Africa hence the continent does not trade with itself. The only option that is there for African countries is to trade with those who do not have the raw materials. Africa is ready to export, which is to countries beyond African borders.

Given the above, Africa cannot talk of improving intra-Africa trade when this is based on trading raw materials everyone in Africa has. Unless Africa is able to improve the raw materials or manufacture finished products from the raw materials, improving intra-Africa trade will be a pipe dream. Meanwhile, globalisation has increased the dilemmas and challenges of intra-Africa trade (Chingono & Nakana: 2009). This has reduced appetite for beneficiation of African products. It's cheaper to trade goods imported to Africa from other continents than to set up infrastructure for manufacturing plants. In this regard, Africa needs to strategically reposition itself so as to optimise the benefits of globalization. At the same time, African countries need to review priorities in policy frameworks. For as long as sovereignty supersedes the need for economic growth, growing trade and development, African countries will remain trapped in the doldrums of low intra-Africa trade.

Furthermore, non-tariff barriers such as political instability, internal socio-political and economic constraints and the poor level of trade facilitation are considerable barriers to intra-regional trade in Africa. In addition to the lack of or inadequacy of infrastructure there are relatively high customs tariffs, limited number of products and services, marginalisation of both the formal and informal segments of the regional private sector, all manners of administrative bottlenecks and the lack of reliable information systems on opportunities and regional markets (ECOWAS Commission: 2012), a situation that negatively affects intra-Africa trade.

The lack of integration and common approach in terms of policies, strategies and legislation, priorities aimed at increasing intra-Africa trade is perhaps one of the key explanatory factors for limited progress achieved to date with respect to enhancing intra-Africa trade. This is exacerbated by nationalist rivalry, incompatible political and economic systems, mono-cultural agro-based economies, unjust international economic structures, debt and dependency on the West, lack of infrastructure, financial and technical resources, multiple membership to regional organizations, poor economic and political governance and institutional incapacity (Chingono & Nakana; 2009).

In Africa, over 80% of the goods that are traded between continental member states are conveyed by road transport. Meanwhile, there are many countries that are landlocked and transport costs contribute up to 40% of the cost of goods that are traded. As a result (Andrews & Munang:2014), assert that costs associated with trading in sub-Saharan Africa are twice as high as those in East Asia and the Organization for Economic Cooperation and Development (OECD) countries.

Without a safe and efficient cross border road transport system Africa's ambitions of improving intra-regional trade, regional integration and trans-national development, let alone the desire to tap into global trade networks, stands a limited chance of succeeding. Cross-border transport faces numerous barriers that impede the smooth and efficient movement of goods and people (Khumalo & Chibira; 2015). In some RECs of Africa, operating cross border road transport is one of the most difficult businesses. Navigating through corridors and border posts is a mammoth task that is sometimes facilitated through underhand payments and corruption. The region needs an efficient transport

system that enables faster travel, facilitates efficient movements and achieves the goal of smooth movement of goods and people if intra-Africa trade is to improve.

Furthermore, Africa faces many road transport challenges that include poor road infrastructure and missing links that render some regions inaccessible, an incoherent regulatory framework characterised by variability in regulatory requirements between countries, excessive documentary requirements, lack of consistency in processes and procedures, outdated customs procedures, lack of cooperation between government agencies, ineffective regulatory system which culminates in delays and long transit times, unreliable and unpredictable cross-border traffic flows, high incidences of road crashes and cargo insecurity, and high costs of doing business.

Through all these dilemmas, Africa is caught up in challenges ranging from low value products, too many fragmented regional protocols and trade frameworks, ineffective regulatory regimes and a transport system inundated with too many challenges that need to be addressed as they inevitably negatively affect intra-Africa trade.

Many other reasons have also been cited for the low intra-Africa trade and the list continues to increase. Top of the list of the challenges include:

- Too many Regional Economic communities that often are constituted by countries with overlapping memberships which complicates the negotiating of trade arrangements;
- Excessive policy, legislative and regulatory fragmentation that hampers free flow of goods and people on the continent;
- Weak infrastructures, institutional policies and funding;
- Too many non-tariff barriers that hamper trade between countries;
- An inefficient transport system that is very unpredictable and unreliable; and
- High transport costs that make it nearly impossible to conduct productive trade operations.

Therefore, tackling intra-Africa trade requires a regional, comprehensive and coordinated approach that goes beyond improvements in hard infrastructure, improving border management systems and simplification and harmonization of customs and border procedures.

#### **4.2 Interventions beyond current interventions**

For the continent to improve intra-Africa trade, Africa must implement a number of interventions beyond current interventions. Top of the list that should be considered are the following:

- *Value addition to goods that are produced in Africa.* There is need for a fundamental change in development strategy and a transformation of SADC economies from being mere producers of raw materials and passive consumers of manufactured goods into dynamic and industrially diversified economies. In this regard, African countries need to create necessary capacity that will enable them to process primary products that dominate their exports. This requires an investor friendly environment, capital, investment in manufacturing industries, skills development and capacity building. This will also create buying power within African economies;
- *Deliberate fine balance between national sovereignty concerns and trade facilitation.* There is need for member states to trust one another and converge on mutual concerns of enhancing trade between member states. This requires a deliberate and concerted effort to be made and very strong political will;
- *There is a need for a paradigm shift across political and economic decision making structures in respective member states.* Prioritisation of sovereignty at the expense of economic development induced by trade will culminate in slow growth in intra-Africa trade. Member states therefore need to review domestic policies in order to ensure a fine balance between sovereignty and security, and trade facilitation in line with values and principles of regional protocols;
- *Introduction of trade reforms.* African countries should implement reforms in the trade sector and strengthen institutions that design and implement regulations in order to reduce barriers to trade (Andrews & Munang: 2014). This will go a long way towards reducing non-tariff barriers and cost of trading across borders. According to Andrews and Munang (2014), the World Bank advocates for the removal of a range of non-tariff barriers to trade, including restrictive rules about origin of goods, import and export bans and costly licensing. In the sub-Saharan African region, notes the bank, it takes an average of 38 days to import and 32 days to export goods across borders i.e. two of the longest wait times in the world;
- *Capacity building institutions tasked to facilitate intra-Africa trade.* Africa need to create and support legally empowered African and regional institutions that are fully mandated to deal with facilitation of intra-Africa trade. The sooner African countries accept weaknesses of just regional secretariats that can only go as far as facilitating meetings, workshops and stakeholder consultative fora the better; In Africa there is a need for an African Parliament supported by sub-regional parliaments at RECs level, fully and legally mandated to implement approved interventions for improving trade amongst African countries. The parliament should be able to hold member states accountable for implementation of regional programmes, policies and interventions. The fact that member states choose and chop what they want to implement means Africa will not change the status quo;

- *Building synergy of interest among key stakeholders in the trade value chain.* According to Chingono and Nakana (2009), there is lack of sufficient commitment to the continent's problems and real need to increase intra-Africa trade. There has neither been a great leap towards enhancing intra-Africa trade except of the rhetoric in conferences and workshops. Therefore, there is need for building common interest and synergy among key stakeholders in the trade environment. Done well, this will overcome potential impact of geographic distances, economic disparities, institutional or governmental jurisdiction phenomenon that hinders collaboration and sense of common purpose towards improving intra-Africa trade;
- *Improving regional integration.* Africa must deal with conflicting RECs priorities, policies, strategies, legislation and regulations (especially with respect to trade and transport cross-border road environments. According to Chingono and Nakana (2009), the less than satisfactory progress in regional integration is due to a combination of factors that include poor economic and political governance, nationalist rivalry, mono-cultural agro-based economies, debt and dependency on the West, lack of financial and technical resources and institutional incapacity. Regional integration creates larger economic spaces and allows for economy of scale, which may increase efficiency, competitiveness and faster growth, which encourages intra-Africa trade;
- *Complete review of the policy and regulatory framework of the African transport system underpinned by need for harmonisation.* In Africa, road transport carries over 80% of goods trade between countries on the continent. It therefore makes logical sense for Africa to find effective interventions to challenges affecting cross-border road transport and whilst at the same time investing in other modes such as rail and maritime transport. In this regard interventions need to go beyond investment in construction of new roads and maintenance of existing roads and bridges, railway lines and seaports, introduction of efficient border management systems.
- *Harmonising policies and regulatory instruments.* In order for Africa to increase intra-Africa trade, the continent must be able to move goods and services faster within itself than what other continents are able to do between themselves and the continent. Africa must focus on harmonising the policies, strategies, legislations, regulations, processes and procedures that govern cross-border road transport movements and the goods that are traded. In this regard, emphasis should be directed on the need for quality regulation rather than regulating quantity of both cross-border road transport and the goods traded. With respect to cross-border road transport, liberalising market access for freight vehicles will also yield positive results.  
These interventions will ensure transport operations and traders conduct business in a seamless and competitive environment where goods are moved safer, reliably and faster, thereby minimising transit times and the cost of doing business.



## 5. FINDINGS

Based on the findings from the research that was conducted, there are many interventions that can be implemented to increase intra-Africa trade. However, the key question is how far they will go towards addressing challenges and blockages to intra-Africa trade given the foregoing political and economic environment. The following findings were made:

- The need for increasing intra-Africa trade is a matter that is gaining momentum. However, reality on the ground indicates that Africa is a continent that does not significantly trade with itself, with intra-Africa trade figures estimated at between 10 and 12%;
- Most of the continent's economies depend on very few primary agricultural and mining commodities for their exports, mainly importing manufactured goods from countries in other continents;
- The structure of trade in all the majority of African countries is strongly determined by the dependency on the exportation of agricultural and raw materials, mostly mineral products;
- Most of the goods fellow African countries produce have low demand in Africa because the potential consumers also produce similar products, which hinder growth in intra-Africa trade;
- The goods exported by most African countries are traded in their raw format or nature. Thus, the only option is to trade with those who do not have the raw goods Africa is ready to export, which is to countries beyond African borders;
- Unless Africa is able to improve the raw materials or manufacture finished products from the raw materials, improving intra-Africa trade will remain a challenge;
- African countries need to review priorities in policy frameworks. For as long as sovereignty supersedes the need for economic growth, growing trade and development, African countries will remain trapped in the doldrums of low intra-Africa trade;
- Non-tariff barriers such as political instability, internal socio-political and economic constraints and the poor level of trade facilitation are considerable barriers to intra-regional trade in Africa;
- The lack of integration and common approach in terms of policies, strategies and legislation, priorities aimed at increasing intra-Africa trade is perhaps one of the key explanatory factors for limited progress achieved to date with respect to enhancing intra-Africa trade.

- In Africa, over 80% of the goods that are traded between countries are conveyed by road transport. Meanwhile, there are many countries that are landlocked and transport costs contribute up to 40% of the cost of goods that are traded within Africa;
- Low value products, too many fragmented regional protocols and trade frameworks, ineffective regulatory regimes and a transport system inundated with too many challenges need to be addressed as the challenges inevitably negatively affect intra-Africa trade;
- Tackling intra-Africa trade requires a regional, comprehensive and coordinated approach that goes beyond improvements in hard infrastructure, improving border management systems and simplification and harmonization of customs and border procedures;
- Current interventions alone focused on infrastructure investment, improving border management systems and customs processes will not yield the desired results of improving intra-Africa trade; and
- There is need to go beyond current interventions, and implementation of recommendations below if Africa is to grow intra-Africa trade.

## 6. CONCLUSIONS

Based on the findings of this study, it was concluded that:

- Africa is a continent that does not significantly trade with itself;
- Conflicting policy framework, legislation and regulatory requirements hinder growth in intra-Africa trade;
- Currently, in Africa greater efforts are directed at investment in hard infrastructure, border management reforms and customs processes enhancement with the aim of enhancing intra-Africa trade;
- The low value products that constitute the greater share of African countries' exports has a bearing on the extent to which they can grow intra-Africa trade;
- Value addition to goods that African countries export is likely to increase intra-Africa trade;
- Too many bilateral and multilateral arrangements, and RECs in Africa add their fair share to non-tariff barriers that hinder intra-Africa trade;

- Interventions focused on hard infrastructure, border management systems and customs processes improvement alone will not achieve a significant increase in intra-Africa trade;
- Africa needs to implement interventions beyond current interventions, in order to improve intra-Africa trade;
- Implementation of recommended interventions hereunder, may create an environment where Africa will have a real chance of taking intra-Africa trade beyond the current 12% levels; and
- In order for Africa to increase intra-Africa trade, the continent must be able to move goods faster, safer and cheaper like what other continents do.

## **7. RECOMMENDATIONS**

Based on the findings of this study, the following recommendations are made for Africa to improve intra-Africa trade:

- There is need for value addition to the goods that are produced and traded by and between African countries;
- There is need for countries to deliberately find a fine balance between national sovereignty concerns and trade facilitation. There is thus a need for a paradigm shift across political and economic decision making structures in respective member states and priority should be given to the need to ensure fine balance between sovereignty and security, and trade facilitation in line with values and principles of regional protocols;
- African countries should implement reforms in the trade sector and strengthen institutions that design and implement regulations in order to reduce barriers to trade;
- Africa need to create and support legally empowered African and regional institutions that are fully mandated to deal with facilitation of intra-Africa trade;
- There is need for Africa to build common interest and synergy among key stakeholders in the trade environment;
- Africa must address conflicting RECs priorities, policies, strategies, legislation and regulations, especially with respect to trade and transport cross-border road environments; and

- There is need for complete review of the policy and regulatory framework of the African transport system underpinned by need for harmonisation. A collaborative approach between RECs will be required, facilitated through a well-managed continental programme.

Africa must sustain implementation of current initiatives discussed. However, these alone will not achieve the desired end, of high intra-Africa trade. Interventions recommended herein need to also be implemented. Implementation of these interventions has a fair chance of increasing intra-Africa trade to levels achieved in other regions such as Eastern Europe and North America.

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