UNIVERSITY OF CAPE TOWN

FACULTY OF COMMERCE

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DISSERTATION TITLE

Trade Facilitation in Southern Africa: A Case Study for Zimbabwe.

Presented to the Graduate School of Business

University of Cape Town

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Due Date: 30 June 2015

Submitted in partial fulfilment of tralac-MComm GSB-UCT Programme 2013 to 2015

Abstract

The recent adoption of the Trade Facilitation Agreement by WTO members in 2014 renewed the global impetus to ease the movement of goods. Developing countries in Sub Saharan Africa have joined the global community in this regard. It has been noted that although tariffs in developing countries have been lowered, numerous non-tariff barriers and non-tariff measures are stifling trade. Cumbersome border processes have added avoidable costs to trade. In this study, we examine the challenges being faced in Zimbabwe in the transboundary movement of goods. The study makes use the World Bank database on Trading Across Border, Logistics Performance Indicators, and the Ad Valorem Equivalent by the World Bank's Economic and Social Community for Asia and Pacific. The data is compared with South Africa, Zambia, OECD High Income Countries, and East Asia. The findings show that, it is a huge challenge to move goods in Zimbabwe. In other words, doing business with Zimbabwe is not for the faint at heart. These challenges emanate from exorbitant administrative fees, high document requirements, and time delay constraints. These costly non-tariff barriers present a costly murky trade protectionism. The entire logistics chain and infrastructure system need to be revamped to improve reliability and minimise trade costs. When compared to ad valorem equivalent, Zimbabwe trade costs with South Africa and Zambia in agriculture are in excess of 100%, while those for the manufactured goods average 65%. The high trade costs in agriculture are high mainly due to excess requirements in terms of processes and procedures to move goods across borders. Combining trade costs data with specific knowledge on trade facilitation, logistics and trade policy will provide a comprehensive diagnosis that will help to prioritize reform packages that carry maximum impact. In light of these findings, the research recommends to customs officials and government policy makers, areas to address in the entire trade facilitation process that will bring huge impact in terms of removal of border inefficiencies, minimising of trade costs, and

improvement of the logistics chain. These recommendations range from the establishment of single window system, integrated border management, and one stop border posts as part of the entire process under trade facilitation.

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Glossary of Terms

COMESA:	Common Market for Eastern and Southern Africa
EAC:	East African Community
ESCAP:	Economic and Social Community for Asia and Pacific
GATT:	General Agreement on Trade and Tariffs
GDP:	Gross Domestic Product
LPI:	Logistics Performance Indicator
NSC:	North South Corridor
NTBs:	Non-Tariff Barriers
OECD:	Organisation for Economic Cooperation and Development
OSBP:	One Stop Border Post
RECs:	Regional Economic Community
SADC:	Southern Africa Development Community
SSA:	Sub Saharan Africa
TBT:	Technical Barriers to Trade
TFA:	Trade Facilitation Agreement
WCO:	World Customs Organisation
TFTA:	Tripartite Free Trade Area
WTO:	World Trade Organisation

Acknowledgements

I am deeply indebted to Trudi Hartzenberg and the Tralac team for their technical, financial, and expert support they gave me throughout the entire course. I would also want to appreciate efforts by Jean-Francois Arvis at the World Bank for assisting in interpreting the trade costs data. Lastly, I would want to appreciate my wife Brenda for providing the much-needed moral support and patience while I was doing this course.

Chapter 1

Introduction

Despite progress made on tariff liberalisation, trade between countries and between sub-regions is typically hampered by non-tariff barriers (e.g. import quotas, anti-dumping regulations, countervailing duties, border tax adjustments and subsidies), and technical barriers to trade (e.g. sanitary and phytosanitary measures, rules of origin, standards and qualifications). Other impediments to intraregional trade include poor infrastructure, a lack of human and institutional capacities, underdeveloped and undiversified export base and services, and political instability. Tariffs are not considered to be significant constraints to intra-African trade, largely because most African countries belong to the World Trade Organization (WTO), and so have ratified the articles of the General Agreements on Tariffs and Trade (GATT,1994), as well being signatories of regional trade agreements (RTAs). Literature usually indicates that tariff barriers are not the major obstacle, but that NTBs are the real challenges to the trade facilitation issues, including border issues .

Border posts play a critical role in the movements of goods. Cumbersome customs procedures hinder the smooth movement of goods, and these build up in the cost of doing business. The lengthy procedures for clearing goods at border posts can be addressed by the introduction of comprehensive automated systems for document checking and clearing. Many African border posts do not use modern information technology in domestic and international trade. And the few border posts that do have integrated electronic devices for document logging face other difficulties in terms of the frequent breakdowns of electronic systems and the lack of sustainable access to power. This renders intraregional trade and exports from Africa more expensive, due to the long customs clearance delays and lack of transparency in the assessment of duties and taxes. Improving the level of automation in customs services

will help to regularize the procedures, speeding up the process and leading to increased revenues for the governments.

Trade facilitation refers to policies and measures aimed at easing trade costs by improving efficiency at each stage of the international trade chain. According to the WTO definition[1], trade facilitation is the "simplification of trade procedures", understood as the "activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade". It aims at ensuring that all trade activities can take place in an efficient, transparent, and predictable manner, based on internationally accepted norms, standards and practices. It is one of the key factors for economic development of nations and is closely tied into national agendas directed at social wellbeing, poverty eradication and economic development of countries and their citizens. Although several attempts have been made to define trade facilitation, up to date no consensus has been reached on a uniform standard definition. In its narrowest sense, trade facilitation refers to the reduction of the trade costs associated with moving goods across borders.

More recent definitions have been broadened to include the environment in which trade transactions take place, that is, the transparency and professionalism of customs and regulatory environments, as well as harmonisation of standards and conformity to international and regional regulations. To achieve this, Customs Administrations globally are applying modern techniques, standards and technologies, while at the same time improving the quality of control in an international harmonised manner.

[1] For the purposes of the Doha Round negotiations, discussions aim to "clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 with a view to further expediting the movement, release and clearance of goods, including goods in transit"

Trade facilitation from a customs viewpoint and impact, is therefore reviewed as an interaction of border and beyond the border issues with respect to the customs criteria of valuation and documentation, cooperation, government border agencies, infrastructure, procedures, regional transit management systems, regional customs bond, immigration procedures, transport regulations, and road user charges.

The emergence of global value chains as a dominant feature in world production and trade has changed the landscape of the global economy. Production processes have been defragmented across international boundaries. On the one hand, this change presents new opportunities for those developing countries that can reduce the "thickness" of their borders. By reducing the costs of importing as well as exporting, and by deepening connectivity with the global market, they can tap into global value chains (GVCs) to accelerate their trade and income growth. On the other hand, the emergence of GVCs poses new risks. Countries that are poor and distant, and compound their isolation through policy barriers to integration, may well be left behind. However, in order to benefit from this new global trading phenomena of value chains, trade facilitation becomes key to the success of any economy.

An OECD study on the impact of trade facilitation measures on trade costs has established that measures to streamline procedures have a considerable cost reduction potential, of up to 5.4% of total trade costs. A similar study by the World Bank showed that increased efficiency at ports and airports could increase global trade in manufacturing by up to US$ 377 billion a year and triple the benefits for consumers from tariff reductions. The gains would be from streamlining customs, reducing bribery and corruption, better infrastructure and more efficient cross-border services, and speeding up business through use of the internet.

In 2008, member states of the East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), and the Southern Africa Development Community (SADC) took a decision to create a Tripartite Free Trade Area Agreement (TFTA). The TFTA combines 26 African countries spanning from Cape to Cairo, aiming to reduce tariffs imposed on goods originating and traded within the specified region. However, in addition to tariff barriers, the region's traders and producers continue to face a myriad of non-tariff barriers, including high trade and transport costs. An integral part of the TFTA is the design and implementation of a programme that is aimed at improving trade and transport measures, and reducing NTBs. Zimbabwe, being a member of both COMESA and SADC, is therefore centrally located to be part of the on-going process with respect to trade facilitation. However, the country has a long history of hampering smooth trading across borders through non-tariff barriers . Its geo-economic centrality in Southern Africa becomes key to trade facilitation as well as transit trade along the North-South Corridor (NSC).

The economic integration agenda being implemented at the level of EAC, COMESA and SADC has a prioritized programme addressing trade and transport facilitation challenges, with the aim of reducing the cost of doing business and improving the competitiveness of products traded regionally. Such programmes encompass regulatory and policy reforms whilst encouraging the adoption of international instruments and best practices. This includes national and regional capacity building programmes to facilitate cross border movements, and enhancement of infrastructure facilities at border posts to improve efficiency of cross-border movements. The natural question therefore becomes; Where does Zimbabwe stand with respect to trade facilitation initiatives in Southern Africa. Additionally, where are the costs being faced by traders emanating from ?

The key question that these challenges beg is: Why have countries involved in regional integration in sub-Saharan Africa failed to foster competition, subsidiarity, access to wider markets (via trade), larger and diversified investments/production, socioeconomic stability, and bargaining power? This complex and multifaceted subject demands a more focused diagnostic analysis, which may be furthered by reframing the question thus: What are the fundamental challenges to regional trade integration (i.e. the free movement of goods and services) which need to be addressed in order to fully reap the benefits of regional integration in Southern Africa? Answering this question will help to deepen the understanding of the concept and challenges of trade facilitation in Southern Africa. Indeed, the range and scope of the challenges are too broad to be covered in a short single paper. Consequently, the research will focus on border posts and key impediments to intra-regional trade, which lie at the very heart of the issue, with specific reference to Zimbabwe. The study will look at the costs of trade in Zimbabwe. A comparison of trade costs will be made with South Africa and Zambia. In understanding the trade costs, the research makes use of World Bank Trading Across Borders Indices, Logistics Performance Indicators, and Economic and Social Community for Asia and Pacific trade costs as ad valorem equivalence.

Background to the Study

Trade facilitation negotiations formally kicked off in 2004, after years of discussions in working groups launched at the WTO's First Ministerial Conference in Singapore. Along with trade facilitation, WTO members had been considering whether to add a series of topics: - trade and competition; trade and investment; and transparency in government procurement to the existing Doha Round negotiations. The four topics were collectively known as the Singapore Issues, and many had originally expected these to all be added to the Doha Round agenda. Eventually, WTO members began to consider agreeing on discrete sets of "modalities," rather than a collective set. Finally, WTO members formally received the Trade

Facilitation Agreement (TFA) in Bali, December 2013. After intensive consultations, members reached an agreement on the Protocol text[2] which was adopted on 27 November 2014. The agreement does not fix a deadline date for acceptance of the Protocol.

The Bali Agreement on Trade Facilitation seeks to:

- allow governments to apply and conduct border controls more efficiently
- allow traders to move their goods across borders more quickly and easily
- reduce transaction costs and hence reduce prices for consumers and producers
- reduce transit costs in landlocked countries
- reduce bureaucracy and corruption
- facilitate trade for small and medium-sized businesses burdened with excessive bureaucracy and red tape
- add to members' GDP by making trade less costly.

Hence the Bali TFA requires researchers, politicians, economists alike in Southern Africa to do a self-introspection of the sources of the challenges to movement of goods. Zimbabwe, being a landlocked member of both COMESA and SADC, is generally required to join the regional agenda with respect to trade facilitation. Ease of logistics across land boundaries is of critical importance. Poor trade facilitation measures presents costs to traders. Additionally, Zimbabwe, South Africa and Zambia lie along the North-South Corridor with respect to inland transport logistics.

The North–South Corridor (NSC) is an integrated trade facilitation and trade-related infrastructure programme aimed at reducing the time and cost involved in transport along a

[2] Detailed notes on the WTO processes on the Trade Facilitation Agreement are available at http://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm

major regional transportation network. In doing so, it is expected to produce important benefits in terms of improved access to international and regional markets and increased competitiveness of the regions' products. The corridor connects the Zambian and DRC's Copper-belt to ports in Tanzania, Mozambique and South Africa, passing through Malawi, Botswana and Zimbabwe. The major innovation of the programme lies in the fact that it builds on an integrated, multi-modal approach that addresses both infrastructure needs (road, rail, ports and border posts) and the regulatory environment (such as streamlining cross-border clearing procedures and harmonising transit and transport regulations). By working to eliminate different types of bottlenecks – such as delays at border crossings – along the entire route, it has the potential to achieve far greater reductions in travel times and overall transport costs than isolated interventions. The centrality of Zimbabwe, with respect to transit trade and inbound goods along the NSC becomes of interest to researchers on trade facilitation. Trade costs in landlocked countries are linked to trade facilitation matters at border posts and corridor route systems, and this becomes an area of policy interest in the design of RTAs.

Research Objectives

Understanding the cost of trade facilitation is a preoccupation of governments, development partners, researchers, and the business community, among others. It is widely acknowledged that implementing trade facilitation measures improves trade performances, lowers cost of trading, and creates jobs. Many TFTA member states are also members of various trade and transport corridors. Corridor development model is a noble initiatives, but border management in various member countries present challenges to the efficient movement of

goods in the TFTA. Various challenges are being experienced in many member states which have a bearing on the smooth movement of goods by road from various ports.

The need for awareness and knowledge of trade facilitation is becoming increasingly more important as a tool for increased and smoother trade between countries. This is due to the substantial negative effects that burdensome trade procedures have on economic development and in the light of the Bali TFA.

In order to reap the perceived gains from implementing the TFA in Southern Africa, the study seeks to unpack the sources of problems to the smooth movement of goods at border posts, with particular reference to Zimbabwe. In doing so, a statistical comparison of Trading Across Borders Indices, LPI and ad valorem equivalent will be made to other countries in Southern Africa. This will enable the research to advise policy makers and trade negotiators on areas of reference with respect to the implementation of the Bali TFA.

First, by analysing relevant indicators from the World Bank Doing Business database, this research paper compares red tapes and transaction costs (for what pertains to international trade) within Southern Africa, and to a lesser extent with the rest of the world. In light of the disproportionate magnitude of transaction costs by international standards, the analysis confirms how critical trade facilitation is for Southern Africa.

The objective of the study is to understand the costs of trade as a result of thick border posts in the Southern Africa, focusing specifically on Zimbabwe. The study will focus on the composition of border agencies, and their statutory duties. This will give an indication as to possible sources of border delays. The study will go on further to assess how countries are performing in terms of ease of logistics along neighbouring South Africa and Zambia in the road transport corridors. And finally, the study will assess , with less emphasis, extent the experiences of the three RECs with respect to trade facilitation along the transport corridors.

This relates to initiatives by the three RECs to ease movements of goods within the TFTA, that is, various measures being introduced with respect to border management systems such as the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures and the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention) .

The core objective is to advise customs authorities and policy makers on how to improve the processes of moving goods and services across national boundaries, and henceforth, building and operating efficient border posts and customs procedures. Improving border posts and customs procedures will not only reduce the cost and delays incurred by commercial companies, and enhance trade competitiveness, but will also boost government revenues (potentially by up to 25 percent) and accelerate economic development in the continent.

In assessing the difficulty of Zimbabwe's trade with South Africa and Zambia, the study will make use of ad valorem equivalent of trade costs. Thus the research will use the secondary data from the ESCAP-World Bank Trade Costs Database on the trade costs in Southern Africa, as well as proffer solutions to these challenges. Focus will be limited to South Africa, Zambia and Zimbabwe on trade in manufactured and agricultural goods.

History of Trade Facilitation

While trade facilitation and border management modernization are now high on the agenda of the development community and governments throughout the world, the history of international collective eff orts to facilitate trade can be traced back at least to the end of World War I. In 1920 the International Chamber of Commerce was founded, and it has since played a major role in promoting the harmonization and simplification of customs

procedures. These were the earliest international endeavours to reduce border related trade barriers.

The end of World War II marked a new era of multilateral effort, and new international coordination initiatives to facilitate trade soon emerged. The General Agreement on Tariffs and Trade (GATT), created in 1947, contained three articles related to border management (articles V, VIII, and X). Those articles, now more than 50 years old, are at the core of the present Doha negotiations on trade facilitation. Signatories to the treaty are still far from full implementation of articles V (on transit issues), VIII (on fees and formalities), and X (on the publication and administration of trade regulations). Later GATT articles on customs valuation, rules of origin, licensing, pre-shipment inspection, sanitary and phytosanitary controls, and technical barriers to trade (TBTs)—as well as commitments regarding services ancillary to trade, including transport and international finance—further complement articles V, VIII, and X. Collectively these documents represent the World Trade Organization (WTO) disciplines on trade facilitation.

Other international organizations quickly followed suit. The United Nations Economic Commission for Europe, created in 1947, set up a Working Party on Facilitation of International Trade Procedures. And the World Customs Organization (WCO) has been a key driver of trade facilitation related reform since its founding in 1953. In 1973 it established the International Convention on the Simplification and Harmonization of Customs Procedures (the Kyoto Convention), which was heavily revised in 1999 to reflect major changes in international trade. The WCO's suite of trade facilitation related instruments was further strengthened by its adoption in 2008 of the Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework). The Customs Convention on the International Transport of

Goods Under Cover of TIR Carnets (the TIR Convention) was also created in 1959. These initiatives largely defined the concept of modern trade facilitation.

In the mid-1990s nontariff barriers were recognized as a major obstacle to efficient international trade transactions and, ultimately, a drag on national competitiveness. In 2004 trade facilitation was incorporated into the Doha round of multilateral trade negotiations, underlining a strong international consensus on the importance of trade facilitation to economic development and national competitiveness.

Both developed and developing countries in the WTO recognize that trade facilitation represents a win-win for all parties. The present negotiations on trade facilitation aim to clarify and improve relevant aspects of Articles V, VIII, and X of the GATT 1994 [General Agreement on Tariffs and Trade 1994] with a view to further expediting the movement, release and clearance of goods, including goods in transit.

Overview of the Data and Methodology

The research makes use of the data set from the World Bank Doing Business (2014) database, namely Trading Across Borders. It is convenient to start the assessment of trade costs from the set of indicators, which essentially measure the document requirement, time and costs associated with exporting/importing a standardized cargo of goods (20-foot container, 10 tons of weight, worth $ 20,000), from each country's largest business city to the closest port[3]. The six indicators in question span the period 2006-2014, and represent a standardized and

[3] With respect to the time required to export or import, the measures presented include the time to (i) obtain all the documents (bank documents, custom clearance documents, port and terminal handling documents, and transport documents), (ii) inland transport and handling, (iii) custom clearance and inspections, and (iv) port and terminal handling. Conversely, indicators of costs to import/export include all official costs for (a) all documentation, (b) inland transport and handling, (c) custom clearance and inspections, and (d) port and terminal handling. Neither the time-related indicator nor the cost-related one, however, take into account ocean transport time; hence they are defined in a country-specific way, regardless of the destination/origin of the container.

internationally comparable measure of document requirements, time and monetary costs related to international trade. The Trading Across Borders figures are augmented by the World Bank's Logistics Performance Indicator, which measures ease of trans-boundary movements of cargo from private sector's perspectives. The LPI is divided into domestic and international indices. For the purposes of this research, reference will be made to international LPI.

Whilst the above analysis gives a fairly good picture of the incidence and extent of trade costs in Africa and of the associated trade facilitation needs, Doing Business indicators say little about how trade costs, as well as facilitation, affect Africa's regional integration efforts. To address this point, the Economic and Social Commission for Asia and the Pacific (ESCAP)-World Bank Trade Costs Database will be adopted, which allow disentangling trade frictions at a bilateral level, and includes data for 180 countries over the period 1995-2012[4].

The indicators contained in this ESCAP database are derived from a "top down" approach to trade costs, meaning that: they are inferred from the observed pattern of trade and production on the basis of a standard gravity model. By construction, these comprehensive trade costs are measured in ad-valorem equivalent relatively to domestic trade costs, and their nature is intrinsically bilateral, since they are obtained as the geometric average of trade costs in both directions, i.e. those facing exports from country i to j, and those facing exports from country j to i. Besides, they can be decomposed into (i) bilateral tariff costs, measuring the geometric average of tariffs imposed by the two partners on each other's imports, and (ii) comprehensive non-tariff trade costs, encompassing all additional costs involved in trading, other than tariffs.

[4] Data is available at http://databank.worldbank.org/data/views/reports/tableview.aspx

In summary, therefore, the methodology involves extrapolation of secondary data from the World Bank Trading Across Borders, as well as World Bank ESCAP database.. It is a purely statistical comparison on sources of problems to the smooth movements of goods between Zimbabwe, South Africa and Zambia. The statistical inferences will unpack the perceived sources of challenges in implementing the trade facilitation initiatives in Southern Africa.

Data Limitations

Southern Africa is a fairly large region to include all countries into the study. The region stretches from South Africa in the South, to Tanzania and the Democratic Republic of Congo in the North. Thus, for the purpose of the study, it is imperatives to zero down to Zimbabwe's two major trading partners in the region, namely South Africa and Zambia. The two countries share border with Zimbabwe at Beitbridge with South Africa, and at Chirundu with Zambia. The centrality of Zimbabwe between the two countries forms a strategic setting with respect to inland movement of goods along the NSC. Hence the Trading Across Borders data will centre on these three countries as pointers to areas of trade facilitation in Southern Africa. The three countries are also members of the WTO with respect to the TFA implementation.

The World Bank-ESCAP data presents an expanded view of the traditional gravity model which measures the causality of trade on bilateral level. However, before entering into the analysis of bilateral comprehensive trade costs in Southern Africa a few caveats are of order. Notably, the comprehensive trade costs indicators need to be interpreted with caution due to the following reasons:

1. Their numerical value depends to some extent on the theoretical model from which they are derived, and in particular is sensitive to the parametric choice for the elasticity of substitution; as a consequence they should preferably be used for *comparative exercises*, rather than taken at their *absolute value*.

2. Changes in the comprehensive trade cost indicators may potentially conflate price and volume effects.

3. Being the geometric average of trade costs in both direction, and being measured relative to domestic trade costs, they cannot be directly traced to policy changes implemented in any of the two countries, at either domestic or international level, but they are strictly speaking the result of all these elements simultaneously.

Chapter 2

Literature Review

Trade facilitation is a fairly recent addition to the formal trade agenda, drawing from countries' experiences in easing the movement of goods across borders. Though there is no single theory to link trade facilitation to classical theories of trade, the theory of gains from trade better explain the benefits from trade facilitation , and the iceberg effect of trade costs. Hence first section of this chapter is devoted to explaining firm level decisions regarding trade costs and participation in export market. The second section will explain the evolution of trade facilitation since Singapore Ministerial Conference to date. A brief explanation on the Bali TFA will also be added in this section. Being a recent phenomenon in economics literature, there is also no well documented empirical literature for the subject. However, researchers have attempted to quantify the benefits that can be drawn by nations through the implementation of the trade facilitation initiatives. Other institutions like the OECD and the World Bank have also gone a step further by coming up with a set of indicators of ease of trading as a proxy to identifying areas of improvement. The section gives a historical development of the concept of trade facilitation. The following section will highlight modern literature that classifies indicators of trade facilitation, and monetary benefits that can be drawn from implementing TFA. The last section will narrate the Southern Africa's experience with respect to trade facilitation. This section is subdivided into experiences by RECs, such as SADC, COMESA, SADC and the COMESA-EAC-SADC TFTA with respect to trade facilitation. This also includes recent time release studies in Southern Africa.

Theoretical Literature

The gains from reduced trade costs are best understood by analysing gains from trade. The analysis here draws on modern trade theories: classic trade theory, factor proportions trade theory, new trade theory, and a new extension from new trade theory that incorporates firm heterogeneities.

In classic trade theory and factor proportions trade theory, gains from trade are rooted in production efficiency achieved through realizing comparative advantage[5]. Both the classic theory, based on technology differences, and the factor proportions theory, relying on endowment differences, predict that international trade allows countries to concentrate more on what they can produce at lower cost—and, at the same time, to consume the same goods at lower prices. The welfare of all will then rise. But because these trade models treat transaction costs somewhat marginally, it is hard to draw direct conclusions from them about how trade costs affect trade patterns. Nevertheless, one essential implication of these theories is that enhancing trade improves welfare internationally through production concentration and greater efficiency. Reducing trade costs can thus potentially help developing economies.

New trade theory, and the closely related new economic geography theory (both pioneered by Paul R. Krugman), expand the category of gains from trade to include efficiency realized through scale economies and greater varieties of welfare improvement. Before new trade theory it was hard to explain why two countries with similar technology, endowment, and tastes would trade with each other in the same type of product. Labelled intra-industry trade,

[5] For more detailed discussion of the models see Dornbusch, Fischer, and Samuelson (1977); Leamer (1995); Feenstra (2003).

this phenomenon had long been observed and accounted for a large portion of international trade. New trade theory successfully solved the puzzle. In its seminal works (Krugman 1980, Brander and Krugman 1983), new trade theory incorporated the factors of scale economies, product differentiation, and imperfect competition, and demonstrated that two additional types of gains are associated with intra-industry exchanges: production efficiency due to increasing returns to scale, and consumer satisfaction associated with additional varieties from abroad.

Although the new trade theory explicitly incorporates trade costs, its policy lessons regarding trade facilitation were somewhat ambiguous. The general lesson is that developing economies can capitalize various gains from trade through further reductions in trade costs. The World Bank offers the following assessment: "The main insight from research is that the relationships between transport costs, production locations, and trade patterns are nonlinear. Falling transport costs first led to countries trading more with countries that were distant but dissimilar. When they fell further, they led to more trade with neighbouring countries. Similarly, when transport costs fell from moderate levels, production concentrated in and around large markets. When they fell further, some producers could produce more cheaply in smaller markets but still serve large markets" (World Bank 2008).

A recent expansion of new trade theory (represented by Melitz 2003) highlights the importance of trade costs in firm selection and productivity growth. This expansion incorporates firm heterogeneity into the new trade theory framework (Bernard and others 2003; Melitz 2003; Yeaple 2005; Bernard, Redding, and Schott 2007). As many empirical studies have shown, only a small portion of firms in each country actually export. Those that do export tend to be larger, more productive, and more skill and capital intensive. This

tendency results from self-selection driven by cross border trade costs[6]. The expansion of new trade theory incorporates firm level heterogeneity to account for the new firm level observations, predicting that only the most productive firms can cover the additional cost of exporting and so reap the benefits of a larger market. Less productive ones, which cannot do so, produce only for the domestic market. So falling trade costs affect important firm level decisions: entry and exit decisions, decisions on whether or not to export, decisions on how much to export, technology decisions, and employment decisions.

In essence, the research suggests that reduced trade costs will induce more firms to become exporters while stimulating the growth of existing exporters. These inter-firm reallocations may lead to an increase in overall productivity levels and, hence, to overall welfare gains—a new form of gains from trade. Enhancing trade through reducing trade costs thus promises to enhance welfare. In lowering fixed and sunk trading costs one unleashes dynamic gains of comparative advantage, economies of scale, and productivity improvement through resource reallocation.

[6] For example see Bernard and Jensen (1999); Aw, Chen, and Roberts (2001); Eaton, Kortum, and Kramarz (2006); Bernard, Jensen, and others (2007).

Empirical Literature

WTO members formally adopted the Trade Facilitation Agreement (TFA) in Bali, December 2013. The increasing recognition of the importance of trade facilitation has been largely driven by recent developments in the international trade arena. Thus, the concept of trade facilitation has expanded on "needs-driven-basis". These needs include:

- The increase in trade volumes and importance of international trade in the world GDP, where trade partners are increasingly chosen from facts like transparency, predictability, stability and efficiency of the countries' trade rules and procedures;
- The increased complexity of trade, where a unreformed and un-systematised methods of dealing with new issues will leave a country left behind;
- The augmented trade among developing countries combined with the fact that trade procedures generally are the most costly in developing countries, resulting in a situation where developing countries increasingly are hurting each other;
- The increased trade velocity, a fact that is underlined by the development of a vast array of supply chain management techniques, the use of rapid information technology. In such an environment countries with over-complicated trade procedures risk becoming fringe players in international trade;
- The amplified global focus on security issues, where countries with poor and opaque trade procedures will rapidly be excluded in favour of countries with well-facilitated trade procedures, i.e. developed countries.

The Bali Trade Facilitation Agreement has three sections: Section I contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It clarifies and improves the relevant articles (V, VIII and X) of the General Agreement on Tariffs and Trade (GATT) 1994. It also sets out provisions for customs cooperation. Section II contains special and differential treatment (SDT) provisions that allow developing and

least-developed countries (LDCs) to determine when they will implement individual provisions of the Agreement and to identify provisions that they will only be able to implement upon the receipt of technical assistance and support for capacity building. To benefit from SDT, a member must categorize each provision of the Agreement, as defined below, and notify other WTO members of these categorizations in accordance with specific timelines outlined in the Agreement.

- Category A: provisions that the member will implement by the time the Agreement enters into force (or in the case of a least-developed country member within one year after entry into force).
- Category B: provisions that the member will implement after a transitional period following the entry into force of the Agreement.
- Category C: provisions that the member will implement on a date after a transitional period following the entry into force of the Agreement and requiring the acquisition of assistance and support for capacity building.

For provisions designated as categories B and C, the member must provide dates for implementation of the provisions, as outlined in the following factsheets: Special and Differential Treatment for LDCs, and Special and Differential Treatment for Developing Countries. Section III contains provisions that establish a permanent committee on trade facilitation at the WTO, require members to have a national committee to facilitate domestic coordination and implementation of the provisions of the Agreement. It also sets out a few final provisions.

Mindful of the above developments, the Bali Trade Facilitation Agreement covers:

- use of the Internet for publishing information that is useful to traders and in general improving the availability of information (*According to the OECD, improvements in information availability would save 1.8% of transaction costs.)*
- establishing advance rulings on tariff classification and applicable duties to expedite customs clearance (savings estimated to be up to 3.7 %)
- introducing pre-arrival clearance - goods to be released immediately upon arrival
- expediting and simplifying the release and clearance of goods
- enhancing transparency in customs rulings and administrative procedures
- developing a uniform administration of trade regulations
- streamlining fees and charges and establishing more discipline in their application - for example, prohibition of the collection of unpublished fees and charges, reduction/minimization of the number and diversity of fees and charges, and prohibition of consular fees
- improving coordination among border agencies
- creating a single window – to submit data only once to one agency
- establishing discipline for transit formalities and documentation requirements.

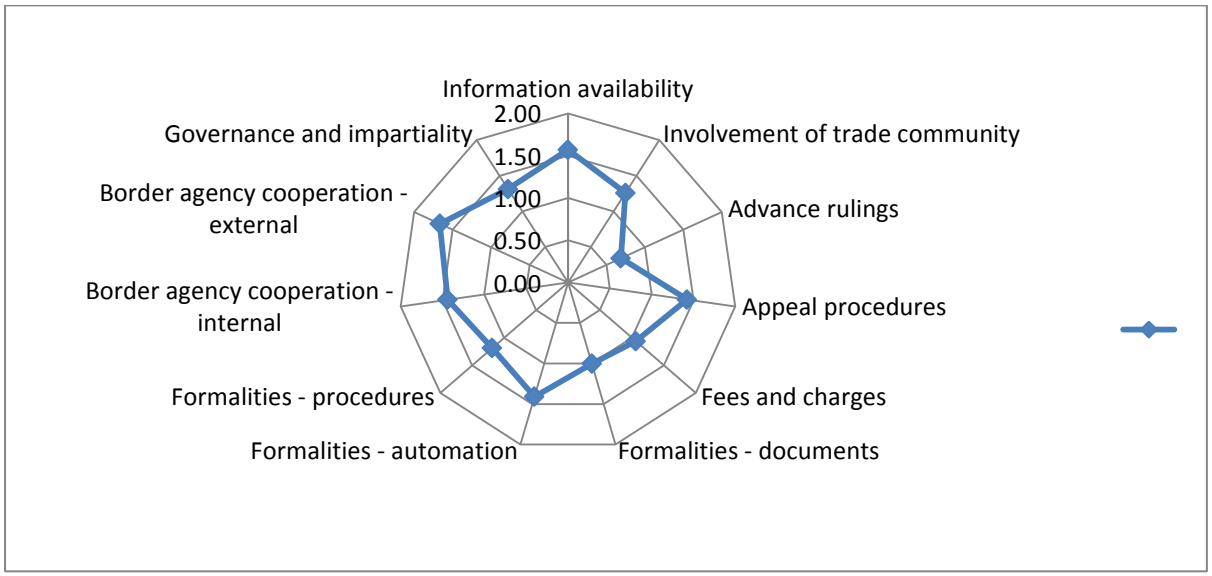
In 2013, the OECD carried out a study in 109 countries using sixteen trade facilitation indicators. The indicators were selected using the main areas of trade facilitation indicators at WTO. OECD has developed the following eleven indicators to assess trade facilitation policies. These are:

- Information Availability: Publication of trade information, including on internet; enquiry points.
- Involvement of the Trade Community: Consultations with traders.

- Advance Rulings: Prior statements by the administration to requesting traders concerning the classification, origin, valuation method, etc., applied to specific goods at the time of importation; the rules and process applied to such statements.
- Appeal Procedures: The possibility and modalities to appeal administrative decisions by border agencies.
- Fees and Charges: Disciplines on the fees and charges imposed on imports and exports.
- Formalities-Documents: Simplification of trade documents; harmonisation in accordance with international standards; acceptance of copies.
- Formalities-Automation: Electronic exchange of data; automated border procedures; use of risk management.
- Formalities-Procedures: Streamlining of border controls; single submission points for all required documentation (single windows); post-clearance audits; authorised economic operators.
- Internal Co-operation: Co-operation between various border agencies of the country; control delegation to Customs authorities.
- External Co-operation: Co-operation with neighbouring and third countries.
- Governance and Impartiality: Customs structures and functions; accountability; ethics policy

The OECD scale range from zero being the worst performer to two being the best. Their findings on Southern Africa show that lacks behind with respect to advance rulings, too many documentation to import/export, and too many fees and charges.

Figure 1 Trade Facilitation in Sub Saharan Africa, OECD

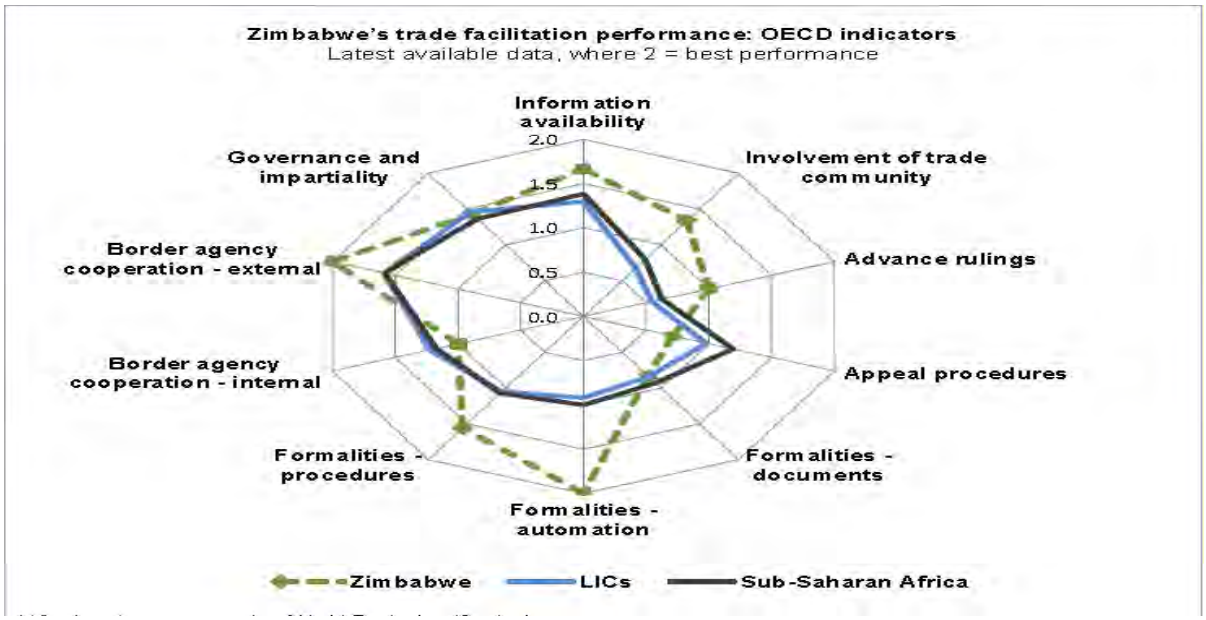


Computations from OECD Trade Facilitation Indicators for Southern Africa, 2013[7]

With respect to Zimbabwe, the country performs better than the average of Sub-Saharan African and low income countries in the areas of information availability, involvement of the trade community, advance rulings, automation, streamlining of procedures and external border agency co-operation, according to OECD trade facilitation indicators. However, Zimbabwe's performance for appeal procedures and internal border agency co-operation is below the averages of Sub-Saharan African and lower income countries as shown by the diagram below:

[7] Countries sampled in Sub-Saharan Africa are Angola, Benin, Botswana, Burkina Faso, Burundi, Cameron, DRC, Cote d'Ivoire, Ethiopia, Gabon, Gambia, Ghana, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe.

Figure 2 Trade Facilitation in Zimbabwe, OECD



Source: OECD 2014[8]

Border controls at a traditional two stop border post can take as long as three-five days, especially when mistakes or miscalculations delay payment. Most trucks used for commercial cargo have daily fixed costs of US$250-500[9] in Southern Africa plus the cost of the driver. Therefore a three day wait at the border represents US$750-1500 in unnecessary transport costs. Five day delays would cost US$1250-2500. This added cost directly affects the cost and competitiveness of goods from Southern African in international markets as well as the cost of imports to consumers and inputs to manufacturers.

A second cost derived from border delays and poor facilitation on the route is high inventory costs. A recent World Bank Study[10] found that for goods worth from US$2-5,000 per tonne, the cost of increased inventory is $0.75 to $2.50 per day per tonne. Manufacturers and

[8] Full article available at http://www.oecd.org/tad/facilitation/Zimbabwe_OECD-Trade-Facilitation-Indicators.pdf

[9] The Road Freight Association in South Africa maintains data on vehicle operating costs and average vehicle fixed price.

[10] Arnold, John, "Best Practices in Management of International Trade Corridors", World Bank, Transport Papers TP-13, December 2006, pp. 29-30.

retailers report ordering an additional month ahead to account for the lack of predictability of delivery. For a 28 tonne truckload this would range from $630-$2,100 of unnecessary logistics cost. When supply routes are not reliable, buyers choose other sources of expensive but reliable air freight transport.

Falsification of documents may be prevalent where two stop border posts are in operation due to non-sharing of intelligence. This is demonstrated by disparities between export and import of the two border countries. Declaring of differing values for goods is usually motivated by the desire to avoid or reduce duties payable. Failure to collect all revenues due affects African countries which heavily rely on customs duties as a source of revenue. Therefore, there is a strong relationship between the time and reliability lost on corridors, including border crossing time, and growth in trade with its potential impact on economic growth, revenue collection and job generation.

World trade and investment flows have expanded over the last years, but in contrast the trade performance of Sub-Saharan African countries has been disappointing. The high costs of trade i.e. the cost of transporting goods and getting them across borders are a major obstacle to African trade performance. A growing literature has gathered empirical evidence of the negative impact of trade costs on a country's trade performance. High trade costs have a negative effect on economies enduring them. They reduce consumer welfare as they increase the price of imported goods, and make producers less competitive as imported inputs are relatively more expensive and final goods relatively more expensive. Although direct evidence on border costs shows that tariff barriers are relatively low across all countries, poor infrastructure and weak institutions contribute in a larger extent to high trade costs along the logistic chain in Sub-Saharan African countries (SSA) countries.

Trade costs can be broadly defined to encompass all costs incurred in getting a final good to a final user, other than the cost of producing the good itself. In general, an exporter or importer incurs trade costs at all stages of the export or import process, starting with obtaining information about market conditions in a foreign market and ending with the reception of the final payment. Logistics Performance Index (LPI) 2014 ranks 160 countries on six dimensions of trade, including customs performance, infrastructure quality, and timeliness of shipments, that have increasingly been recognized as important to development. The data used in the ranking comes from a survey of logistics professionals who are asked questions about the foreign countries in which they operate. The components analyzed in the International LPI were chosen based on recent theoretical and empirical research and on the practical experience of logistics professionals involved in international freight forwarding. The survey uses an anonymous, web-based questionnaire which asks professionals in several logistics service companies worldwide to evaluate their country of residence, as well as eight countries they are dealing with, on seven logistics dimensions. They are;

- The efficiency of customs and border management clearance ("Customs").
- The quality of trade and transport infrastructure (Infrastructure").
- The ease of arranging competitively priced shipments (Ease of arranging shipments").
- The competence and quality of logistics services—trucking, forwarding, and customs brokerage ("Quality of logistics services").
- The ability to track and trace consignments ("Tracking and tracing").

- The frequency with which shipments reach consignees within scheduled or expected delivery times ("Timeliness").

The LPI uses standard statistical techniques to aggregate the data into a single indicator that can be used for cross-country comparisons (1=lowest, 5 highest). The table below shows the logistics performance of tripartite countries that are in Southern Africa using the World Bank LPI.

Figure 3 Logistics Performance Indicator World Bank 2014

Country	Year	Overall LPI	Overall LPI	Customs	Infrastructur	International shipments	Logistics competence	Tracking & tracing	Timeliness
South Africa	2014	34	3.43	3.11	3.2	3.45	3.62	3.3	3.88
Zambia	2014	123	2.46	2.54	2.31	2.13	2.47	2.47	2.91
Zimbabwe	2014	137	2.34	1.89	2.25	2.25	2.5	2.22	2.93

Source: Logistics Performance Index 2014[11]

In terms of the overall LPI, South Africa is better positioned to reap the benefits of being trade liberalisation among member states. It has an overall ranking of 34, way above Zambia and Zimbabwe which are ranked 123 and 137 respectively. However, Zimbabwe and Zambia are linked to South Africa through Beitbridge and Chirundu. South Africa has excellent logistics that links inland companies to the sea. Otherwise the Zimbabwe and Zambia has lot to invest in infrastructure.

[11] LPI dataset can accessed on http://lpi.worldbank.org/

Although there is a diversity of approaches in terms of trade facilitation parameters by various institution, they boil down to customs cooperation, border administration , transport logistics. These presents indirect costs to shipments outside customs duties and border taxes. These three major components feature in every study made by established institution referred above. However , of paramount emphasis is border administration in terms of easing the movements of goods into another customs territory. Thick border posts tend to delay shipments, and add costs to the cargo thereby reducing competitiveness in exports market. It is evident from the onset of negotiations of the trade facilitation in 2004, processes leading to smooth movement of goods across international border is key to international trade. Zimbabwe, however, lacks behind South Africa in every indicator yet they share a common border post at Beitbridge.

COMESA-EAC-SADC Experiences on Trade Facilitation

Trade facilitation is the process of removing obstacles to the swift movement of goods across borders, thereby reducing the cost of trade and enhancing trade performance of the region. The need for trade facilitation becomes apparent when one considers that Africa accounts for less than 2.5% of world trade. In an effort to improve Africa's trade performance and competitiveness, the member states of the three Regional Economic Communities of the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC) launched the COMESA-EAC-SADC Tripartite Free Trade Area on 12th June 2011. The Tripartite Free Trade Area aims to reduce tariffs imposed on goods originating in the region and traded in the region. However, in addition to tariff barriers, the region's producers and traders also face a number of Non-Tariff Barriers. Non-Tariff Barriers (NTBs) are factors other than tariffs that inhibit cross-border trade, for example excessive customs adherence or excessive administrative

procedures.

According to Trade Mark Southern Africa[12], high cross-border trade and transport costs are another major factor negatively impacting the region's trade performance. In the COMESA-EAC-SADC Tripartite region, road transport accounts for about 95% of cargo volume and the costs of road transport is directly related to the time taken for a journey. If a truck takes 3 days to clear a border (which is not excessive in the COMESA-EAC-SADC region) the transporter can pass up to US$1,200 to the importer and, eventually, to the consumer. Similarly, it costs US$5,000 to US$8,000 to ship a 20ft container from Durban to Lusaka. It costs only US$1,500 to ship the same container from Japan to Durban.

Compared to other global regions, intraregional trade costs in Africa are a matter of consternation. For instance, the average cost of exporting overseas a container from an African country is US$ 2,000 while in Asia it is estimated at less than half that amount (approximately US$ 900). In Africa, border checkpoints have been overstretched in terms of manpower and infrastructure. While they are primarily intended to prevent the entry into the country of undesirable individuals (e.g. criminals or others who pose threats) and the smuggling of illegal goods, they face a range of obstacles to the free flow of people, services and goods. These can be summarized as: the limited infrastructure available, congestion due to increased traffic volumes, delays due to the use of out-dated manual procedures, corruption and illegal trading.

As a result, the high cost of doing business across borders in the COMESA-EAC-SADC region has been identified as a major constraint to economic development. The cost of transport, especially road transport, is directly related to the time taken from the port to the inland destination, or vice versa. The longer the journey, the more expensive production

[12]Full article http://www.trademarksa.net/our_work/trade_facilitation

becomes – rendering Member States less competitive. COMESA, EAC and SADC all have programmes aimed at facilitating trade across the region. Although some of these programmes are already harmonized between the RECs, many remain fragmented and some do not cover the entire tripartite region. In order to harmonize current programmes and facilitate trade across the region, the tripartite will develop a common Trade and Transit Facilitation programme that will be implemented across the three RECs and along corridors. This common programme will have customs harmonization as well as transport harmonization elements: common tariff and statistical nomenclatures, customs and legislative procedures, efficient border posts, transit traffic, harmonized regional customs bond among others.

An African border post can be defined as the "location where one country's authority over goods and persons ends and another country's authority begins." It is the location where a multitude of government agencies (i.e. Revenue Authority – Customs; Immigration; Security – Police; Ministry of Agriculture; Ministry of Health; Bureau of Standards, etc.) are involved in the various document and goods controls, the calculation and collection of duties and taxes, as well as immigration. The multiplicity of those agencies operating on both sides of the same border doubles the bureaucracy at border posts, which translates into congestion and delays (the waiting time for a container/truck to cross a border post in Africa can range from 3 minutes to 2.8 days). The cumbersome procedures entailed in customs processing can cost a consignment about US$185 for each day of delay.

In summary, the experience of Southern Africa with respect to trade facilitation is somewhat poor. Border posts remain thick, traders and customs officials have acrimonious relationship, and border infrastructure system remain fragile when compared to volumes of cargo. However, Zimbabwe , Zambia and South Africa have automated their border posts. Unlike

Chirundu One Stop Border Post, customs systems do not communicate with each other at Beitbridge border post. Efforts by the respective countries to establish a Beitbridge One Stop Border Post has not been successful. However, the customs authorities have a Customs Cooperation Agreement between them. Otherwise the rest of the border agencies operate independent of each other. In 2014, the Ministry of Finance of Zimbabwe announced its intentions to install a single window system at all border posts to ease the movement of goods.

Chapter 3

Aims, Objectives and Methodology of the Study

The research makes use of online data set from the World Bank Doing Business (2014) database, namely Trading Across Borders. It is convenient to start the assessment of trade costs from the former set of indicators, which essentially measure the document requirement, time and costs associated with exporting/importing a standardized cargo of goods (20-foot container, 10 tons of weight, worth $ 20,000), from each country's largest business city to the closest port. The six indicators in question span the period 2006-2014, and represent a standardized and internationally comparable measure of document requirements, time and monetary costs related to international trade. These indices, which must be interpreted in comparative terms, are then coupled with the Logistics Performance Indices. The World Bank's Logistics Performance Index (LPI)[13] reflects private sector perceptions of the country's performance in trade facilitation and modernization. The data is extracted for Zimbabwe, being the point of reference, and compared with South Africa and Zambia.

Whilst the above analysis gives a fairly good picture of the incidence trade costs in Africa and of the associated trade facilitation needs, Doing Business indicators say little about how trade costs, as well as facilitation, affect Africa's regional integration efforts. To address this point, the online Economic and Social Commission for Asia and the Pacific (ESCAP)-World Bank Trade Costs Database will be adopted, which allow disentangling trade frictions at a bilateral level, and includes data for 180 countries over the period 1995-2012 for trade in

[13] Data can be accessed at http://data.worldbank.org/indicator/LP.LPI.OVRL.XQ

agricultural and manufactured goods[14]. This dataset gives the ad valorem equivalent of trade costs being incurred by other countries when trading with Zimbabwe.

Aim and Objectives of the Study

In light of the growing impetus to carry out reforms for trade facilitation, the major aim of this study is to identify major sources of impediments to the smooth movements of goods in Zimbabwe, when compared to South Africa and Zambia. The impediments constitute trade costs to traders, and transit cargo. Having identified the sources of trade costs, the study will then advise customs, border agencies, and policy makers on how best to address trade facilitation issues in Zimbabwe. The objectives of the study are:

- Identify major sources of challenges to the smooth movement of goods in Zimbabwe when compared to South Africa and Zimbabwe;
- Identify bottlenecks to trade within Zimbabwe and its border posts;
- Assess the Zimbabwe's performance on LPI with respect to its trading partners; and
- Quantify the ad valorem equivalent of Zimbabwe's in agriculture and manufactured goods with South Africa and Zambia;

Methodology

Trading Across Borders

The World Bank's Trading Across Borders[15] measures the time and cost (excluding tariffs) associated with exporting and importing a standardized cargo of goods by sea transport. The time and cost necessary to complete 4 predefined stages (document preparation; customs

[14] Data at http://databank.worldbank.org/data/views/variableselection/selectvariables.aspx?source=escap-world-bank-international-trade-costs

[15] Full description of the methodology available at http://www.doingbusiness.org/methodology/trading-across-borders

clearance and inspections; inland transport and handling; and port and terminal handling) for exporting and importing the goods are recorded; however, the time and cost for sea transport are not included. All documents needed by the trader to export or import the goods across the border are also recorded. The process of exporting goods ranges from packing the goods into the container at the warehouse to their departure from the port of exit. The process of importing goods ranges from the vessel's arrival at the port of entry to the cargo's delivery at the warehouse. For landlocked economies, since the seaport is located in the transit economy, the time, cost and documents associated with the processes at the inland border are also included. It is assumed that the payment is made by letter of credit, and the time, cost and documents required for the issuance or advising of a letter of credit are taken into account. Local freight forwarders, shipping lines, customs brokers, port officials and banks provide information on required documents, cost and time to export and import. To make the data comparable across economies, several assumptions about the business and the traded goods are used.

Assumptions about the traded goods

The traded product travels in a dry-cargo, 20-foot, full container load . It weighs 10 tons and is valued at $20,000. The product:

- Is not hazardous nor does it include military items.
- Does not require refrigeration or any other special environment.
- Does not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Is one of the economy's leading export or import products.

Assumptions about the business

The business:

- Is located in the economy's largest business city.
- Is a private, limited liability company.
- Does not operate in an export processing zone or an industrial estate with special export or import privileges.
- Conducts export and import activities but does not have any special accreditation, such as an authorized economic operator status; and
- Is 100% domestically owned.

Documents

It is assumed that a new contract is drafted per shipment and that the contract has already been agreed upon and executed by both parties. All documents required by law or common practice by relevant agencies—including government ministries, customs authorities, port authorities and other control agencies—per export and import shipment are taken into account. For landlocked economies, documents required by authorities in the transit economy are also included. Since payment is by letter of credit, all documents required by banks for the issuance or securing of a letter of credit are also taken into account. Documents that are requested at the time of clearance but that are valid for a year or longer or do not require renewal per shipment (for example, an annual tax clearance certificate) are not included. Documents that are required by customs authorities purely for purposes of preferential treatment but are not required for any other purpose by any of the authorities in the process of trading are not included . For example, if a certificate of origin is only presented to qualify for a preferential tariff rate under trade agreements, the document is not counted. It is assumed that the exporter will always obtain a certificate of origin for its trade partner, and

the time and cost associated with obtaining this certificate are therefore included in the time and cost of document preparation to export.

Time

The time for exporting and importing is recorded in calendar days. The time calculation for each of the 4 predefined stages starts from the moment the stage is initiated and runs until it is completed. Fast-track procedures applying only to firms located in an export processing zone, or only to certain accredited firms under authorized economic operator programs, are not taken into account because they are not available to all trading companies. Sea transport time is not included. It is assumed that neither the exporter nor the importer wastes time and that each commits to completing the process without delay. It is assumed that document preparation, inland transport and handling, customs clearance and inspections, and port and terminal handling require a minimum time of 1 day each and cannot take place simultaneously. The waiting time that occurs in practice—for example, in queues to obtain a service or during the unloading and moving of the cargo at the seaport—is included in the measure.

Cost

Cost measures the fees levied on a 20-foot container in U.S. dollars. All fees charged by government agencies and the private sector to a trader in the process of exporting and importing the goods are taken into account. These include but are not limited to costs for documents, administrative fees for customs clearance and inspections, customs broker fees, port-related charges and inland transport costs. The exporter is responsible for the incurred costs related to exporting the goods until they depart from the exporting economy, and the importer is responsible for the incurred costs related to importing from the moment the goods

arrive at the seaport in the importing economy. The cost does not include customs tariffs and duties or costs related to sea transport. Only official costs are recorded.

Logistics Performance Indicator

World Bank's Logistics Performance Index overall score reflects perceptions of a country's logistics based on efficiency of customs clearance process, quality of trade- and transport-related infrastructure, ease of arranging competitively priced shipments, quality of logistics services, ability to track and trace consignments, and frequency with which shipments reach the consignee within the scheduled time. The index ranges from 1 to 5, with a higher score representing better performance. Data are from Logistics Performance Index surveys conducted by the World Bank in partnership with academic and international institutions and private companies and individuals engaged in international logistics. The 2014 round of surveys covered more than 5,000 country assessments by nearly 1,000 international freight forwarders. Respondents evaluate eight markets on six core dimensions on a scale from 1 (worst) to 5 (best). The markets are chosen based on the most important export and import markets of the respondent's country, random selection, and, for landlocked countries, neighboring countries that connect them with international markets. Scores for the six areas are averaged across all respondents and aggregated to a single score using principal components analysis. The LPI is divided into domestic and international indices. For the purposes of this research, reference will be made to international LPI.

The international LPI analyses countries in six components:

• The efficiency of customs and border clearance ("Customs")

• The quality of trade and transport infrastructure ("Infrastructure").

• The ease of arranging competitively priced shipments ("Ease of arranging shipments").

• The competence and quality of logistics services—trucking, forwarding, and customs brokerage ("Quality of logistics services").

• The ability to track and trace consignments ("Tracking and tracing").

• The frequency with which shipments reach consignees within scheduled or expected delivery times ("Timeliness").

Ad Valorem Trade Costs

Differences in economic size and endowments are not the only reason why some countries trade more than others, or trade with a wider range of partners. Trade intensity also depends on many other factors capturing the degree of separation between countries. One way of thinking about these factors is as the 'friction' associated with trade, or the set of economic forces that tends to reduce trade. Paul Samuelson's famous image sees trade flows being reduced by frictions in the same way that an iceberg melts while moving through the sea.

An effective way of capturing this effect is through trade costs between partner countries. Most international trade theories include trade costs as the set of factors driving a wedge between export and import prices. Trade costs are the price equivalent of the reduction of international trade compared with the potential implied by domestic production and consumption in the origin and destination markets. Higher bilateral trade costs result in smaller bilateral trade flows.

In an increasingly globalized and networked world, trade costs matter as a determinant of the pattern of bilateral trade and investment, as well as of the geographical distribution of production. Although tariffs in many countries are now at historical lows, overall trade costs remain high. One estimate based on an exhaustive literature review suggests that

representative rich country trade costs might be as high as 170% ad valorem – far in excess of the 5% or so accounted for by tariffs.

Trade costs have two main categories of sources:

- The first encompasses entirely bilateral factors of separation between the exporter and the importer, which are more dependent on exogenous factors than particular policy choices. Examples include:
    - Geographical distance, as a rough proxy for international transportation costs;
    - Common features between trading partners such as language, common history, or sharing a common border.
- The second category includes endogenous trade costs, which in a sense represent the 'thickness' of the two countries' borders. Examples include:
    - Logistics performance – cost, delay, and reliability – and trade facilitation bottlenecks – such as border control, and transit systems with third countries;
    - International connectivity, such as the existence of regular maritime, air, or terrestrial services;
    - Tariffs;
    - Non-tariff measures.

Given the all-inclusive nature of this classification, trade costs in the developing world should be significantly higher than those for rich economies. Tariffs and non-tariff barriers remain substantial in developing countries. Other sources of trade costs also represent significant obstacles to greater export and import volumes, particularly in areas such as poor infrastructure and dysfunctional transport and logistics services markets.

Applied international trade literature has traditionally focused on using the standard gravity model to identify particular factors as sources of trade costs, using a direct econometric

approach where trade costs are proxied by a series of available indicators such as distance. This approach has two drawbacks: the first is that it does not produce an overall estimate of the level of trade costs between countries; second, inclusion of some variables but not others immediately gives rise to concerns about omitted variables bias, to the extent that omitted trade costs are correlated with variables included in the model.

The World Bank authors take a different approach. They use the inverse form of the gravity model developed by Novy (2013) to infer trade costs from the observed pattern of trade and production across countries. Intuitively, when a country sells relatively more goods to its own residents than to foreigners, it must be because international trade costs have increased relative to domestic trade costs, holding other factors constant. Similarly, if a country sells relatively more of its production to foreigners than to residents, it must be because international trade costs have fallen relative to domestic trade costs, again holding other factors constant.

Trade costs measured in this way are highly informative for policy purposes, and this is the first case in which the inverse gravity approach to trade costs has been used to derive bilateral trade costs for a wide range of developing countries. To measure trade costs over the 1995-2012 period, UNESCAP and the World Bank embarked on a joint data-collection exercise. In addition to data on export and import flows, calculation of trade costs using the inverse gravity methodology also requires information on domestic production in each country. Usage can then be calculated as domestic production less total exports.

Trade data are easily available in harmonised format. Obtaining data on domestic production is more challenging, and requires recourse to a combination of UN national accounts data and GDP data from the World Development Indicators, scaled up using an approximate conversion factor from value added to gross shipments terms. The end result is a database

covering up to 178 countries, two sectors, and the 1995-2012 period. Based on the available data, the authors calculate trade costs for as many bilateral pairs as possible, and use interpolation to fill in missing country-year combinations, where feasible.

In summary, the methodology makes use of secondary data from the World Bank Databases on Trading Across Borders, Logistics Performance Index, and ESCAP Trade Costs. The analysis follow a standard statistical process of charts, graphs, tables and descriptive statistics. It makes a comparison of the sources of trade costs in Zimbabwe vis a vis South Africa and Zambia, bearing in mind that these three countries are part of the NSC. On ad valorem trade costs, the research separately analyses trade costs for agriculture and manufactured goods.

Chapter 4

Results of the Study

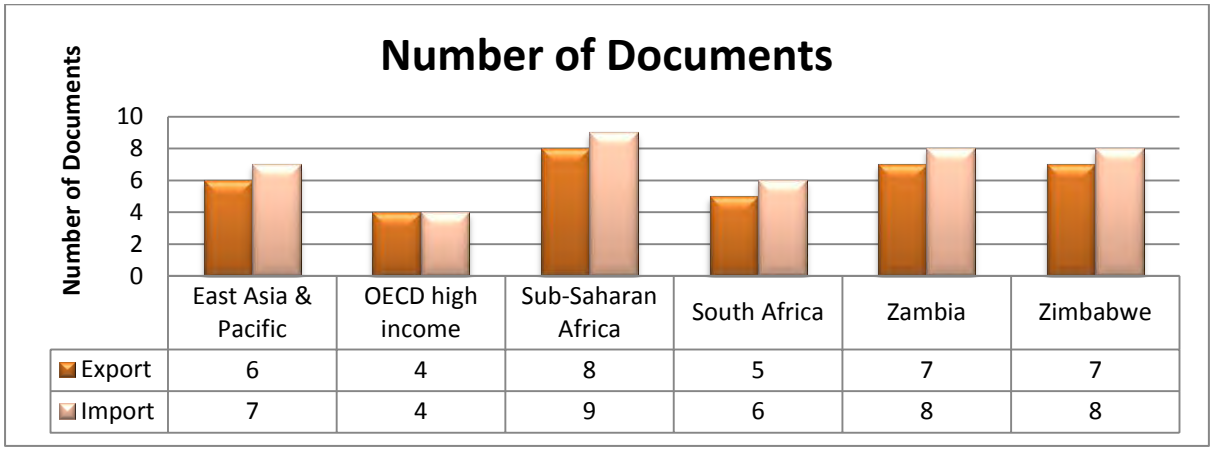
The purpose of this research is identify bottlenecks to the smooth movement of goods across the border in Zimbabwe, and make a comparison with other regional trading partners along the NSC. Other regions such as the OECD, Sub Saharan Africa and East Asia and Pacific are made reference to for comparison purposes. The secondary data was extracted from the World Bank. These costs of trade are then quantified into ad valorem equivalents (cost of trade) with trading partners with respect to agriculture and manufactured goods. The first section of the chapter will initially analyse the results on Trading Across Borders and Logistics Performance Index. The second section will analyse the bilateral trade costs incurred by South Africa and Zambia as they trade with Zimbabwe in total trade, agriculture and manufactured goods.

Number of Documents

In order to import or export, traders are required to obtain relevant documentation from government authorities. These statutory documents are required before release of consignment, transport and transit, border clearance, and offloading. Each of these agencies has its own specific mandate from government, and taken together they cover issues as diverse as health, product safety, quarantine, immigration controls, and security, as well as revenue and other customs concerns. Zimbabwe and Zambia require 8 documents to import and 7 documents to export. This is higher than South Africa, which requires 6 documents for import and 5 documents for export. In some instances, the issuing authorities in Zimbabwe are geographically dispersed such that traders travel distances to have the required set of

papers. However, these three countries are generally below Sub Saharan requirements for 9 and 8 documents for import and export respectively.

Figure 4 Number of Documents to Import/Export World Bank 2014



	East Asia & Pacific	OECD high income	Sub-Saharan Africa	South Africa	Zambia	Zimbabwe
Export	6	4	8	5	7	7
Import	7	4	9	6	8	8

Source: Logistics Performance Index 2014

These figures also show that there is huge paper requirements for imports, pointing to the continued thinking of stifling imports from mercantilism era where imports are considered bad and exports are good. Imports are generally treated with suspicion in Africa. The problem is further exacerbated by the fact that the requisite documents are generally paper based, and are issued by different authorities requesting the same trader to share the same information. Notwithstanding that there may be several agencies with border management responsibilities, the fundamental nature of the challenge that each confronts is the same. The challenge is to facilitate the legitimate movement of people and goods across increasingly blurred, or even virtual, borders while— at the same time—meeting the government's mandate to maintain the integrity of the border, to protect the community, and to prevent the unlawful or unauthorized movement of people and goods.

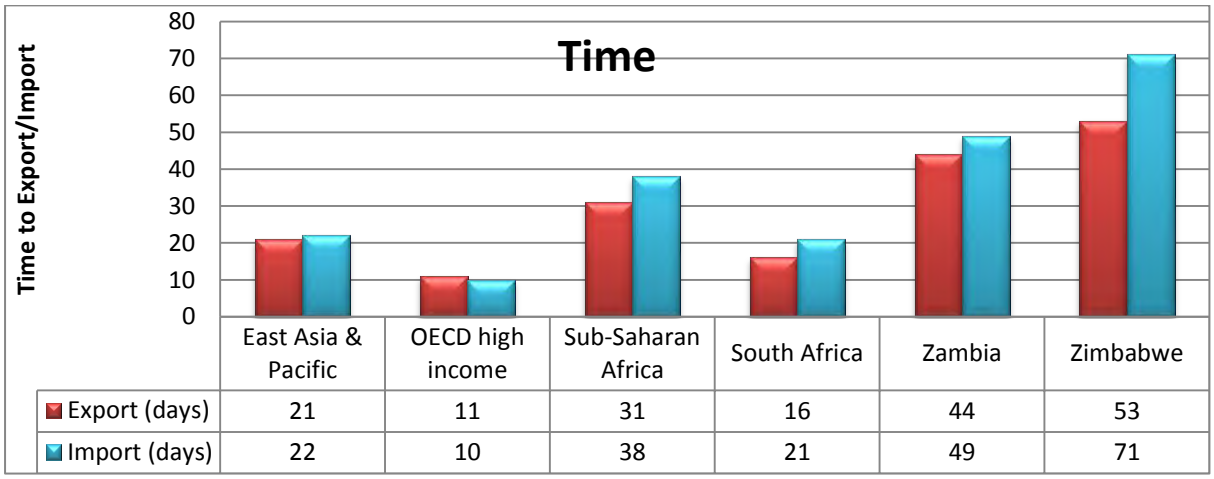
However, Figure 4 above shows that in high income OECD countries, documents requirements for both imports and exports is the same, 4 documents per consignment. This

points to the realisation that imports are necessary for exports, as countries compete to increase their participation in Global Value Chains.

Time to Export/Import

Time lapses are recorded from the onset of the transaction, that is document preparation; customs clearance and inspections; inland transport and handling; and port and terminal handling. It follows from the above that the huge documentary requirements also leads to huge time losses for traders. For Zimbabwe, it takes approximately 71 and 51 days to complete and import and export transaction respectively. This is far out of synch with the country's major trading partner, South Africa which requires 21 and 16 days to complete an import and export transaction. Border controls in various Southern African borders, at a traditional two stop border post can take as long as three-five days to secure release, especially when errors or miscalculations delay revenue collections. These huge time losses adds to the cost of doing business. Much of the time is lost as traders wait for documents to be physically processed by authorities, such as licences and permits, increase the border crossing time. For example, it takes approximately 7 working days to obtain an import permit for agricultural commodities in Zimbabwe.

Figure 5 Time to Import/Export World Bank 2014



	East Asia & Pacific	OECD high income	Sub-Saharan Africa	South Africa	Zambia	Zimbabwe
Export (days)	21	11	31	16	44	53
Import (days)	22	10	38	21	49	71

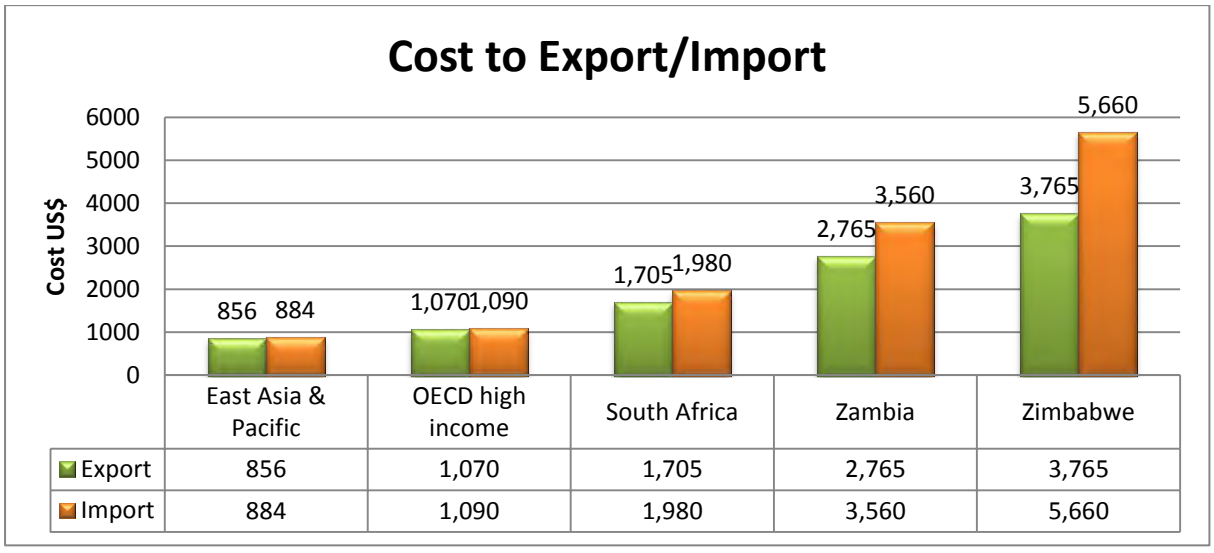
Source: Logistics Performance Index 2014

The physical inspection of cargo at border posts greatly further delays the release of cargo to destination. Each border agent carries out its mandate independent of the other on matters that can be jointly facilitated. The multiplicity of those agencies operating on both sides of the same border doubles the bureaucracy at border posts, which translates into congestion and delays. Efficient border management is critical for eliminating avoidable delays and enhancing predictability in border clearance. Coordination among government control agencies will remain essential in trade facilitation efforts—as well as the introduction of best practices in automation and risk management in non-customs control agencies, which have generally been less open to reform. The longer the time delays to process import/export, the less efficient is the supply chain. Figure also 5 above highlights the time lapses differences between Southern Africa and OECD countries, where the latter generally requires 10 days to complete a transaction.

Cost per Container

In estimating the cost per container, all fees charged by government agencies and the private sector to a trader in the process of exporting and importing the goods are taken into account. These include but are not limited to costs for documents, administrative fees for customs clearance and inspections, customs broker fees, port-related charges and inland transport costs. In Zimbabwe, it costs US$5 660 to facilitate the importation of a 20ft container worth US$20 000, and US$3 765 to export the same. These charges are five more than the South African charges. Figure 6 below shows that it is much cheaper to do business in East Asia and OECD high income. In East Asia, officials charges by government authorities and private sector are less than 5% the value of the cargo. Zambia, despite being a lower income developing country, also charges as high as US$3 560 to import and US$2 765 to export. The high charges by Zimbabwe and Zambia point to a strong income dependency by governments from levies and taxes.

Figure 6 Cost per Container to Import/Export World Bank 2014



Source: Logistics Performance Index 2014

These above figures can rise exponentially if the research considers other informal payments that are done through corruption. In many instances, traders pay "facilitation charges" to customs officials to expedite secure the earliest release of the cargo at border posts. Bribes and informal payments are rampant at busy border posts such as Beitbridge and Chirundu. In summary, Zimbabwe lags behind many countries in terms of reduced documentary requirements, time to complete an import/export, and formal fee charges to traders. Being a landlocked country, but centrally located along NSC, Zimbabwe should be in a better position to facilitate trade and movement of transit cargo.

Logistics Performance Index

The LPI measures the on-the ground efficiency of trade supply chains, or logistics performance. The indices encompass freight transportation, warehousing, border clearance, payment systems, and increasingly many other functions outsourced by producers and merchants to dedicated service providers. Effective connections with international markets depend on supply chain reliability. A key message of the LPI is that, while costs and timeliness are important, traders are primarily concerned with overall reliability and predictability, which can heavily affect their cost competitiveness and are thus the most important aspects of logistics performance. Figure 7 below shows that Zimbabwe, ranked 137 out of 160 countries, lags all behind the sampled many countries in Southern Africa in terms of logistics and supply chain reliability. Such unreliable supply logistics pose challenges to traders and transit operators along the NSC. High degrees of unpredictability prompt operators to adopt costly hedging strategies, such as maintaining large inventories or switching to more reliable—but expensive—transportation modes. When compared to Germany ranked 1 in Europe and China in East Asia ranked 15, many parts of Southern Africa have unreliable supply logistics.

Figure 7 Logistics Performance Indicator World Bank 2014

	Overall LPI	LPI overall score	Customs	Infrastructure	International shipments	Logistics quality and	Tracking and tracing	Timeliness
Country								
Germany	1	4.12	4.10	4.32	3.74	4.12	4.17	4.36
China	15	3.83	3.72	3.97	3.58	3.81	3.87	4.06
South Africa	34	3.43	3.11	3.20	3.45	3.62	3.30	3.88
Zambia	123	2.46	2.54	2.31	2.13	2.47	2.47	2.91
Zimbabwe	137	2.34	1.89	2.25	2.25	2.50	2.22	2.93

Source: Logistics Performance Index 2014

Supply chain unreliability takes many forms. Long delays and unpredictable goods clearance times result from poor infrastructure, inadequate services, and excessively bureaucratic border processing systems and procedures. Excessive physical inspection and overreliance on inspector discretion cause large variations in clearance times, with multiple inspections frequent. The least performing index for Zimbabwe is customs, averaging 1.89 out of 5. This is usually at border posts, where customs processes are cumbersome, and sometimes paper-based when electronic system are not functional. This further compounds the smooth movement of goods along the NSC. The variations of logistics chain unreliability between Zimbabwe (overall score 2.34 and landlocked) and South Africa (overall score 3.43 and linked to the oceanic routes) should be of concern to policy makers. However, since the inception of LPI in 2007, the countries have registered marginal improvements as shown by Figure 8 below

Figure 8 LPI Changes Since 2007

Country	2014	2012	2010	2007
South Africa	3.43	3.67	3.46	3.53
Zambia	2.46		2.28	2.37
Zimbabwe	2.34	2.55		2.29

Source: Logistics Performance Index 2014

Trade Costs

Econometric structure of the World Bank's ESCAP model incorporates traditional variables such as distance, common language, RECs, common border, plus logistics (cost, delay, reliability, and trade facilitation bottlenecks such as border control, transit systems), international connectivity to maritime and air transport, tariffs, and Non-Tariff Measures. In other words, the above components under Trading Across Borders and LPI are computed as a percentage of bilateral trade costs, or ad valorem equivalent together with traditional gravity model variables. Figure 9 below shows that trade costs between Zimbabwe and Zambia, both low income developing economies, are rising. In 2007, trade costs stood at 65.32% , rose to 79.74% in 2009. Both countries still maintain high tariffs, and various other NTMs despite sharing a border at Chirundu and belonging to the RECs of COMESA and SADC. So, in terms of the movement of goods, Zambia has lot do in terms of trade facilitation reforms as espoused in the Bali TFA. These border and behind the border reforms will ease the cost of doing business with Zimbabwe.

Figure 9 Ad valorem Equivalent in Total Trade

Extracted from ESCAP Trade Costs Database 2013

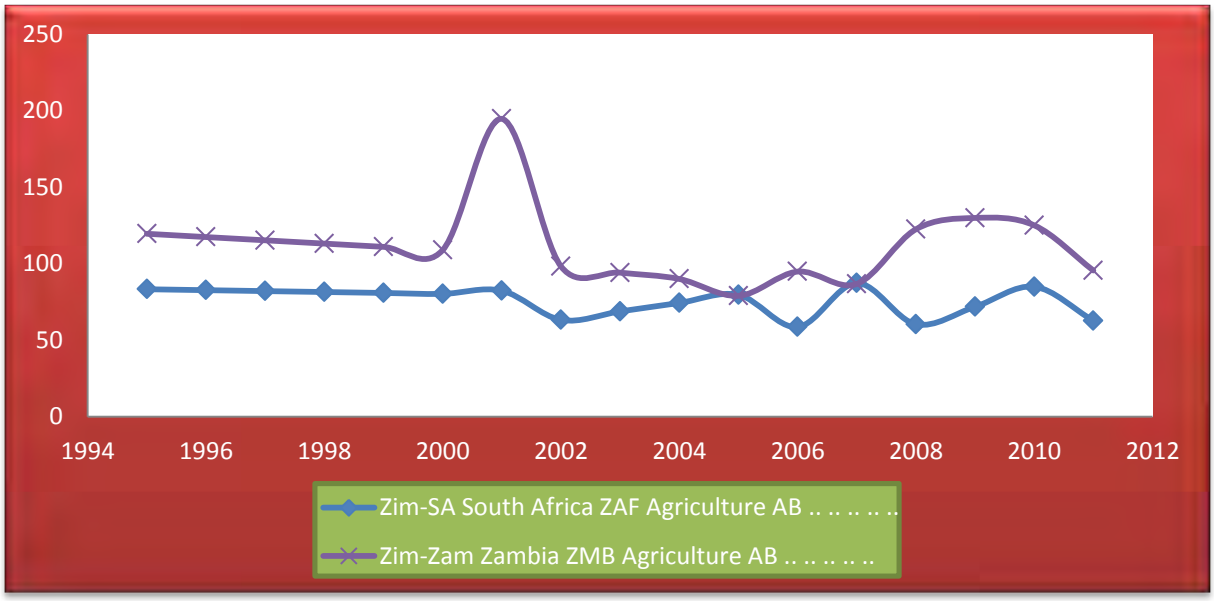
On the contrary, bilateral trade costs between Zimbabwe and South Africa are declining. In 2006, Zimbabwe's trade costs with South Africa stood at 57.31%, and fell to 50.56% in 2009. South Africa, being a middle income developing countries has simplified trade processes, and also invested in trade infrastructure. Despite having substantially lowered tariffs with regional trading partners, South Africa still retains a myriad of constraints on the movement of goods, particularly at border posts. These relate to NTMs on Zimbabwean goods.

Ad Valorem Equivalent in Agriculture

Agriculture is often treated as a sensitive good in African countries. In that regard, trade in agricultural commodities in characterised by highly protective tariffs, numerous NTMs, and many physical inspections. Governments consider agriculture as a politically sensitive sector, which must protected at all costs. Various policy and non-policy measures are often instituted to minimise trans-boundary movement of agricultural goods, especially imports. Transportation requirements of fruits, flowers and other perishable commodities compound

the trade costs besides high tariffs and NTM requirements. It is against this background that agricultural markets in Africa have failed to integrate. Figure 10 below shows that Zimbabwe faces high costs of trade with both South Africa and Zambia with respect to agricultural goods.

Figure 10 Ad Valorem Equivalent in Agriculture



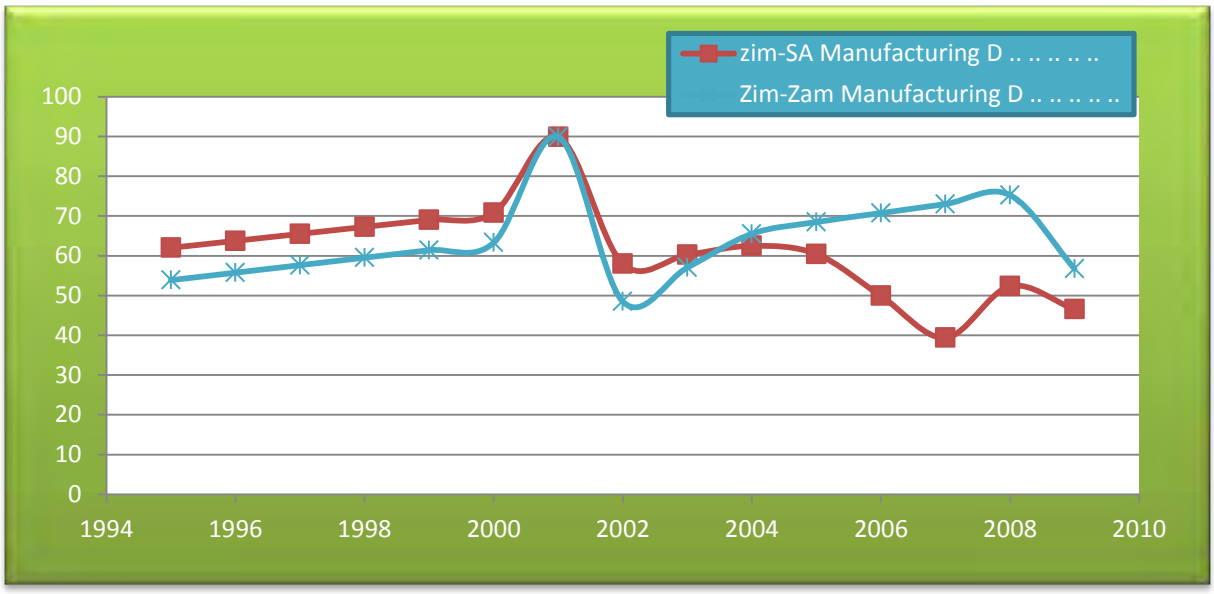
Extracted from ESCAP Trade Costs Database 2013

On average, Zimbabwe incurs in 75% trade costs with South Africa on agricultural goods, and over 110% with Zambia. These findings are consistent with Arvis (2013) research in developing countries. Regional markets are protecting themselves from exports/imports from trading partners. In many border posts, there are authorities specifically dedicated to monitor movement of agricultural produce. Trade in agricultural produce often carry the risk of trans-boundary movement of animal and plant diseases, such as fruit fly and bird flu. As such, traders incur costs in obtaining various permits/licences, physical inspections and testing, logistical requirements and tariffs. Such trade deterrent costs stifle economic growth of many economies in Sub Saharan Africa.

Ad valorem Equivalent in Manufactured Goods

Trade costs in manufactured are lower than agricultural goods. As such, tariff and non-tariff protection are much higher in agriculture than in manufactured goods. The lower level of trade costs is attributable to regional and national trade policies. Market integration of manufactured goods is moving faster than agricultural sector. Figure 11 below shows a declining trend in trade costs on manufactured goods being faced by Zimbabwe with respect to South Africa and Zimbabwe.

Figure 11 Ad Valorem Equivalent in Manufacturing



Extracted from ESCAP Trade Costs Database 2013

The trade costs are almost 50% lower in manufactured goods for both countries when compared to the agricultural sector. Substantial changes are underway in the trading regimes of Southern Africa. The recent establishment of the SADC Free Trade Area in 2008 is an example. Since 2004, Zimbabwe's trade costs in manufactured goods fell from 65.51% to 49.53% in 2009. In 2008, Zimbabwe's trade with Zambia in manufactured goods fell from 75.26% to as low 56.73% in 2009. The declining trend in trade costs in manufactured goods

is being recorded in both countries. However, there is much room to improve in terms of lowering trade costs in both sectors as part of the reforms under trade facilitation.

Conclusion

The findings above indicate that trade facilitation challenges for Zimbabwe mainly emanate from time delays, numerous documents requirements , formal charges/fees from the indices drawn from Trading Across Borders. The research revealed that Zimbabwe lags behind other regional countries in all these three areas. As a result, the country has an unreliable LPI when compared to regional and international standards. The supply chain unreliability leads to huge costs to traders, as they resort to expensive modes of transport and stock piling. Much of the challenges being faced by Zimbabwe relate to border management, infrastructure, and poor connectivity to international logistics. Time delays, document requirement and cost per container are higher for imports than for exports. Traders with Zimbabwe incur huge trade costs as a result of the above challenges. The implementation of the TFA, therefore provides a huge opportunity to reduce the cost of doing business. Efficient border management is a prerequisite in implementing trade facilitation, and reduce trade costs.

Chapter 5

Discussion

Trade facilitation has received a lot of attention in many developing countries. It forms the basis for smooth movement of goods across borders. This research has observed that Zimbabwe lags behind many countries in this area. Time consumed to trade, coupled with a lot of paperwork adds a huge costs to traders. The findings from World Bank Trading Across Borders Database, LPI and ESCAP show that there is need to ease the movement of goods. Customs officials and other numerous border agencies stifle smooth movement of goods, which often adds to the cost to the trading community.

The research question focused on the sources of challenges to the smooth movement of goods in Zimbabwe. The study made a comparison to neighbouring countries, that is, South Africa and Zambia. Findings from the study shows the following:

- Zimbabwe requires 8 documents for imports, and 7 documents for export. This is nearly double the paper requirement in High Income OECD countries;
- In Zimbabwe, it costs US$5 660 to facilitate the importation of a 20ft container worth US$20 000, and US$3 765 to export the same. These charges emanate from administrative fees by government officials and private entities in facilitating the movement of goods;
- For Zimbabwe, it takes approximately 71 and 51 days to complete and import and export transaction respectively. This is far out of synch with the country's major trading partner, South Africa which requires 21 and 16 days to complete an import and export transaction;

- In terms of LPI, results show that Zimbabwe, ranked 137 out of 160 countries, lags all behind the sampled many countries in Southern Africa in terms of logistics and supply chain reliability; and
- Bilateral trade costs are above 100% for agriculture for both South Africa and Zambia, but are marginally falling for manufactured goods.

Trade Facilitation at Border Posts

In recent years countries have realized, perhaps more than ever, the importance of trade to achieving sustainable economic growth. Accordingly, they have lowered tariffs, established regimes to encourage foreign investment, and pursued opportunities for greater regional integration. Yet progress in trade facilitation is still slow in many countries— and progress is hampered by high costs and administrative difficulties at the border.

Outdated and overly bureaucratic border clearance processes imposed by customs and other agencies are now seen as posing greater barriers to trade than tariffs do. Cumbersome systems and procedures and poor infrastructure both increase transaction costs and lengthen delays to the clearance of imports, exports, and transit goods. Such costs and delays make a country less competitive—whether by imposing deadweight inefficiencies that effectively tax imports, or by adding costs that raise the price of exports.

Moreover, inefficient border management deters foreign investment and creates opportunities for administrative corruption. While border clearance processes are among the most troublesome links in the global supply chain, they are especially so in poor countries, where it frequently takes three times as many days to import goods as it does in rich ones. Imports to poor countries require nearly twice as many documents and six times as many signatures.

In Zimbabwe the difficulties are particularly severe: excessive physical inspections are a major source of delays, and the time between accepted customs declaration and customs

clearance is four days, while in Organisation for Economic Cooperation and Development countries it is one.

Governments and donors are responding to the problem of inefficient border management by investing in border management reform, with measures designed to make countries more competitive by removing unnecessary barriers to legitimate trade. Virtually all countries now agree that trade facilitation reform will bring benefits to all. Recent bilateral and regional trading agreements include many border management provisions to ease trade. And many countries desire enhanced multilateral rules for trade facilitation within the World Trade Organization— part of an overhaul of the trade facilitation provisions in the General Agreement on Tariffs and Trade, which are now over 50 years old.

Even so, customs and other border management agencies in many countries pay no more than lip service to trade facilitation in Southern Africa. Traditionally the roles of these agencies have focused on the control of goods for revenue collection, industry assistance, and community protection. Over the last two decades these traditional roles have widened to include—in principle —the facilitation of legitimate trade. In practice, however, this new objective is honoured only so far as it does not infringe on the agencies' existing border control practices.

Because clearance times are largely determined by the weakest link in a border processing chain, meaningful trade facilitation presupposes comprehensive reform initiatives across the whole of border management. There must be cooperation and information sharing among all agencies involved. The keen interest of many developing countries in harmonizing, streamlining, and simplifying border management systems and procedures has led to such initiatives such as:

• *Coordinated border management.* This can include information sharing, co-located facilities, close interagency cooperation, delegation of administrative authority, and cross designation of officials.

• *One stop border posts.* Neighbouring countries coordinate import, export, and transit processes, so that traders need not duplicate regulatory formalities on both sides of a border.

• *Single window systems.* Traders can submit all import, export, and transit information required by regulatory agencies at one time—through a single electronic gateway—rather than submit essentially the same information repeatedly to various government entities.

These initiatives, which have some common themes, promise significant improvement in border management and clearance. Yet they face political, technical, institutional, and procedural problems that so far have proved extremely difficult to overcome. As a result, the conceptual and technological leaps made elsewhere in the business world have not yet transformed border management. Even where progress has been made, most strategies and results have not been distilled, documented, or shared with the wider trade facilitation and development community. And the information that has been shared typically focuses on narrow technical issues. It does not address a much greater challenge: that of securing the political and institutional will and commitment needed to design and carry out cost effective border management reform.

Having a thorough understanding of the pattern and evolution of trade costs is critical to gauge the potential impact of any trade facilitation activity for at least four main reasons. First, as the existing literature unanimously argues that a decline in trade related costs can significantly boost trade performance, it is straightforward to see that the potential relevance of trade facilitation is greater the higher the scope to cut transaction costs. Secondly, and as a corollary of the first point, knowledge of the sources of trade costs is critical in determining

which precise trade facilitation instrument is likely to have the highest payoff. Thirdly, it is important to assess the extent to which imports and exports costs are correlated and why. Fourthly, the pattern of trade-related costs across countries of origin or destination can clearly affect the overall impact of trade facilitation on regional integration.

Chapter 6

Conclusion and Policy Recommendations

Improving logistics performance and border management is at the core of policies to bolster competitiveness and to boost trade integration. Recent trade research shows that improving logistics is where developing countries have the most potential to reduce trade costs. In recent years there has been increasing emphasis by the international trade community on non-tariff barriers as a significant factor limiting goods trade. Tariffs, subsidies and quotas, the most obvious factors limiting access to international markets are no longer assumed to be the most significant impediment to international goods trade. Regulations and procedures such as customs administration, inspections, trade financing, security issues and infrastructure including ports and roads can cause delays in shipping and are now considered amongst the most significant trade barriers limiting goods trade. Related to these non-tariff factors is the concept of good governance: the efficiency and transparency of processes, contract enforcement and administration. The inclusion of good governance as a topic in international trade analysis is a recognition that no matter how good a trade system looks on paper, or how low official tariffs may be, the system can contain hidden costs. These hidden costs can be direct or indirect. Direct costs of poor governance include bribes and un-official fees. Indirect costs include time delays and uncertainties in delivery resulting from poor administration and infrastructure. Recognizing the importance of non-tariff factors limiting trade, the World Bank Doing Business office has compiled a myriad of statistics and indicators to gauge the importance of these factors in a countries economy and trade.

To address these structural drawbacks on trade facilitation in the region, it is recommended that governments in Southern Africa, through their customs administrations resort to One

Stop Border Posts, Integrated Border Management, and Single Window facilitation initiatives.

One Stop Border Posts (OSBPs)[16] address one of the main delaying factors on major transport corridors. They combine two stops into one, and consolidate functions in a shared work space for exiting one country and entering another, thus reducing travel time for passenger and freight vehicles. OSBPs enable border agencies from neighbouring countries to perform joint Customs controls that can result in benefits to security, trade facilitation and human mobility.

In establishing OSBPs[17], it is important to understand the rationale of borders and the mandate of various agencies at the border posts. The establishment of border posts is to protect national security and autonomy. Border posts today are complex entities that often involve from 5-10 different agencies each performing specific controls related to movement of persons, vehicles and cargo from one country to another. Controls are designed to collect revenue, stop illegal trade, protection of public health and facilitate economic activity. Some agencies issue permits/licenses at the borders or check permits submitted with customs declarations.

It is important to give full consideration to the operational and legal issues and infrastructure requirements.

[16] OSBPs facilitate mobility of persons and, by reducing time loss, can also reduce the cost of transport for shippers and goods to consumers accruing economic benefits across the national economic spectrum.

[17] The purpose of introducing the OSBP is to achieve greater trade facilitation by combining border clearance activities in a single location so as to benefit from economies of scale, reduce transit delays, simplify clearance procedures, increase cooperation and coordination of controls, foster data and intelligence sharing and to improve control over fraud or risk management. Furthermore, the OSBP helps in optimum utilisation of available resources like scanning facilities and office accommodation. Revenue inflows are enhanced through effective sharing of intelligence and joint risk management initiatives.

- Operational issues relate to the simplification/harmonization of procedures, sequencing of controls and the standard operating procedures for joint processes and coordination amongst the various border agencies.
- Information Technology is an important part of OSBPs as it allows sharing of data, coordination amongst agencies, improved risk management and accelerated procedures.
- Legal issues are important to create an enabling legal environment that allows agencies to operate extraterritorially and sets out agreements between the respective countries on basic operating principles.
- Infrastructure changes will be necessary as the establishment of an OSBP implies having to place certain offices and structures in proximity to each other to allow for sharing and joint controls.

Chirundu OSBP is based on the border between Zimbabwe and Zambia located on the North South Corridor, which stretches from the port of Durban and the industrial heartland of South Africa in Gauteng Province, through both Zimbabwe and Zambia to the Democratic Republic of Congo (DRC). Chirundu is the first operational OSBP in Southern Africa.

Due to lack of implementation of OSBP initiatives with respect to fears of *losing of sovereignty* or other reasons, some governments can resort to alternative **Integrated Border Management** (IBM). It involves the organization of border control activities to facilitate trade and mobility, while meeting legally mandated controls. IBM involves:

- Domestic integration between government agencies within one country or customs union and
- International integration between neighbouring countries as, for example, an OSBP.

Both require interagency cooperation, parallel processing and coordination of interventions to achieve maximum efficiency. Domestic integration requires that all border agencies reach agreement on systems, data elements and processes to be implemented. These inputs are all aligned to form a process that integrates procedures and coordinates activities for maximum effectiveness. International integration involves aligning and integrating border formalities between two or more states[18]. This can often be done where agencies enforce the same international standards, such as agriculture, or use the same international data sources to monitor outbreak of disease, etc. In an OSBP, it may mean coordinating exit and entry treatment in such a way that low risk goods can be expedited through the border.

For customs as the major control authority at the border, the emphasis over the past decade has been on customs modernization with active guidance from the WCO in providing training in customs operations, reform initiatives and facilitation. WCO Time release studies sought to identify time delays and rectification recommendations. The *Customs Modernization Handbook*[19] produced by the World Bank in 2005 is representative of this effort.

Whilst it is necessary to continue to seek improvement in customs operations, it is equally important to seek improvements in the operation of other agencies located at the borders. Each agency will need to streamline its procedures and develop a coordinated system for achieving the necessary to ensure the facilitation of trade. There is need to incorporate relevant private sector groupings during regular meetings of government border agencies. This is key in so far as ensuring that there are common understandings between the regulator

[18]"Integrated Border Management", Global Facilitation Partnership for Transport and Trade, The World Bank Group, June 2005.
[19] De Wulf, Luc and Jose Sokol, *Customs Modernization Handbook, The World Bank, 2005*.

and the trader on what needs to be done to ensure smooth flow of goods across borders. This is prescribed by the Revised Kyoto Convention.

IBM systems can include information sharing, co-located facilities, close interagency cooperation, delegation of administrative authority and cross designation of officials. The Johannesburg Convention[20] calls for the sharing of information and to incorporate it in the Customs legal framework. Integrated border management involves bringing these agencies into a coordinated clearance system in which procedures are carried out simultaneously as much as possible. This new holistic border approach is explored in *Border Management Modernization*[21].

The **single window**[22] concept is being explored and considered in many governments in Africa. However there is slow implementation due to the significant legal requirements to harmonise inter-agency operations. The SW concept has broad implications for electronic government solutions. The trade SWs mentioned above are essentially government-to-government, government-to-business, and business-to-business exchanges. Other SWs are aimed at a wider constituent set. For example, vehicle licensing initiatives enable citizens to renew and pay for vehicle licenses online.

The major players in this type of SW may include central government agencies, commercial organizations, and local, state, or provincial organizations and companies - ministries of transport, police, insurance companies, banks and finance companies, motor dealers, and

[20] Also known as The International Convention on Mutual Administrative Assistance in Customs Matters, 2003
[21] McLinden, Gerard, Enrique Fanta, David Widdowson and Tom Doyle, *Border Management Modernization*, The World Bank, 2011
[22] The SW environment aims to expedite and simplify information flows between business and government and bring meaningful gains to all parties involved in cross-border trade. In a theoretical scheme, SW can be described as *"a system that allows traders to lodge information with a single body to fulfil all import or export-related regulatory requirements".*

citizens-covering the business to government, business to business and business to consumer categories. Each type of SW shares the collaborative features (interagency and organizational) of multiparty initiatives, linked together for a single set of objectives and covered by common policies, regulation, and legislation. [23]

What can Zim do? A few sentences would be important – eg in ter-agency cooperation etc

Future Areas of Research

The above study narrowed down to Zimbabwe, and compared the trade costs and LPI to South Africa and Zambia. Whilst the research did a comparative study of trade costs on one country, there is need to carry out a much wider research at REC level, say SADC or TFTA. This will give trade negotiators a wider perception as the how trade can be improved in Africa. The study will then identify areas of improvement with respect to broader spectrum of trade facilitation. The study can quantify the benefits of implementing the Bali TFA in African RECs.

[23] Siva, Ramesh, "Developing a national single window: implementation issues and considerations", 2011. McLinden, Gerard, Enrique Fanta, David Widdowson and Tom Doyle, *Border Management Modernization*, The World Bank, 2011, pp.125-129.

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