

IT as a booster of regional trade integration in Africa

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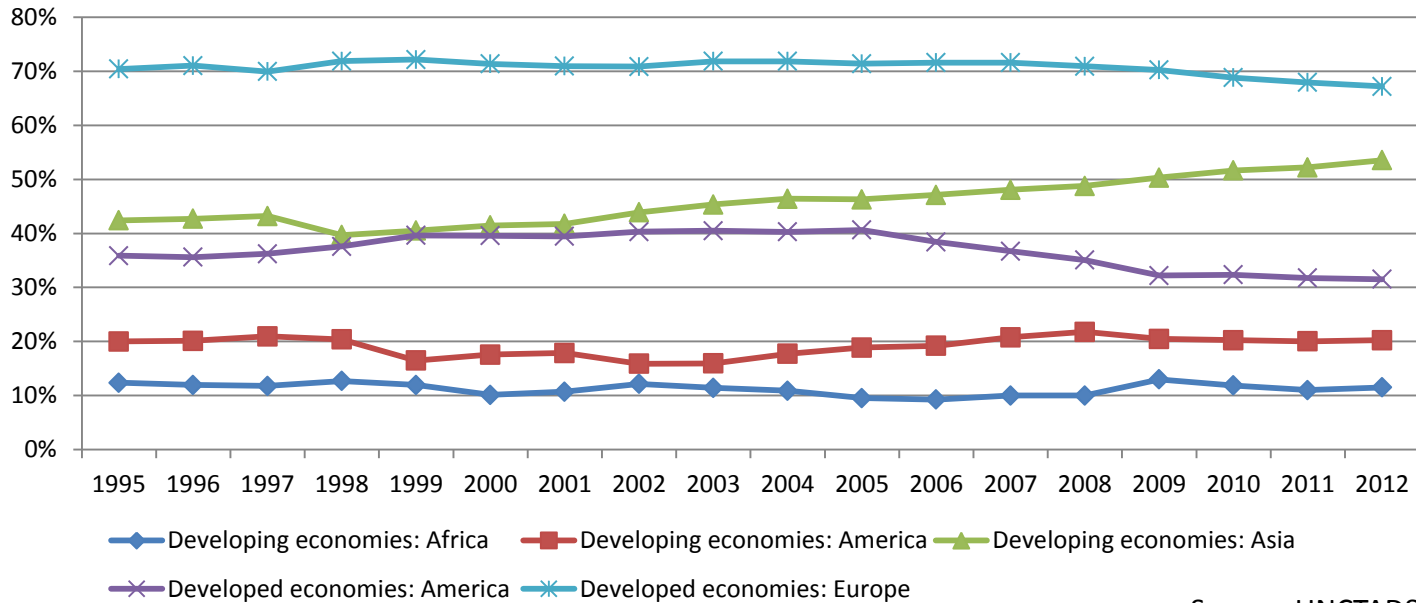
United Nations
Economic Commission for Africa

OUTLINE OF THE PRESENTATION

- African Regional Integration
- Trade costs in Africa
- IT and the importance of trade facilitation
- Concluding remarks

REGIONAL INTEGRATION IN AFRICA

Share of intra-regional exports

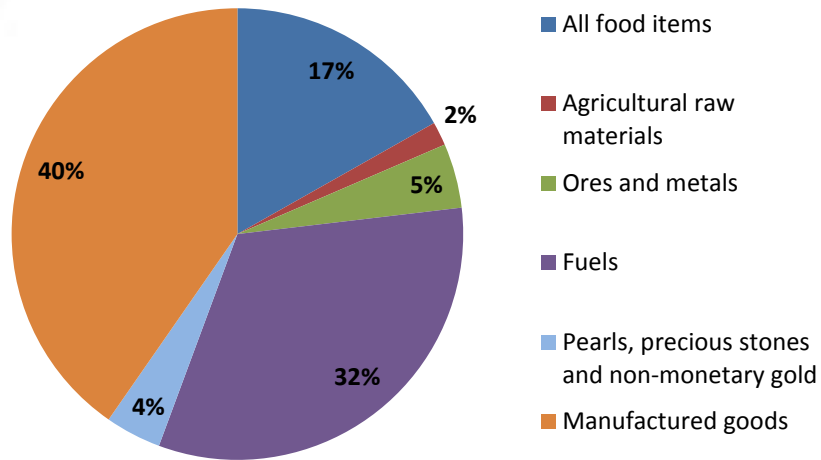


Source: UNCTADSTAT

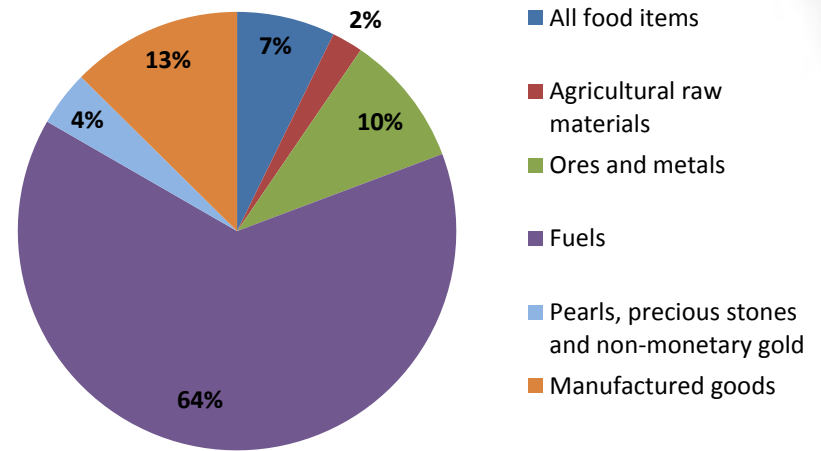
- Despite the establishment of a number of RECs, the share of intra-African trade is still low \approx 10-12%.
- Regional integration initiatives triggered some decline in tariffs, but African countries still face higher tariffs when exporting within the continent than in the RoW (Ofa et. Al., 2012).
- High trade and transport costs, NTB, lack of harmonization of SPS and TBT regulatory framework constitute additional obstacles to intra-African trade.

REGIONAL INTEGRATION IN AFRICA

Composition of intra-Africa exports, 2010-2012



Composition of African exports to the rest of the world, 2010-2012



Source: UNCTADSTAT

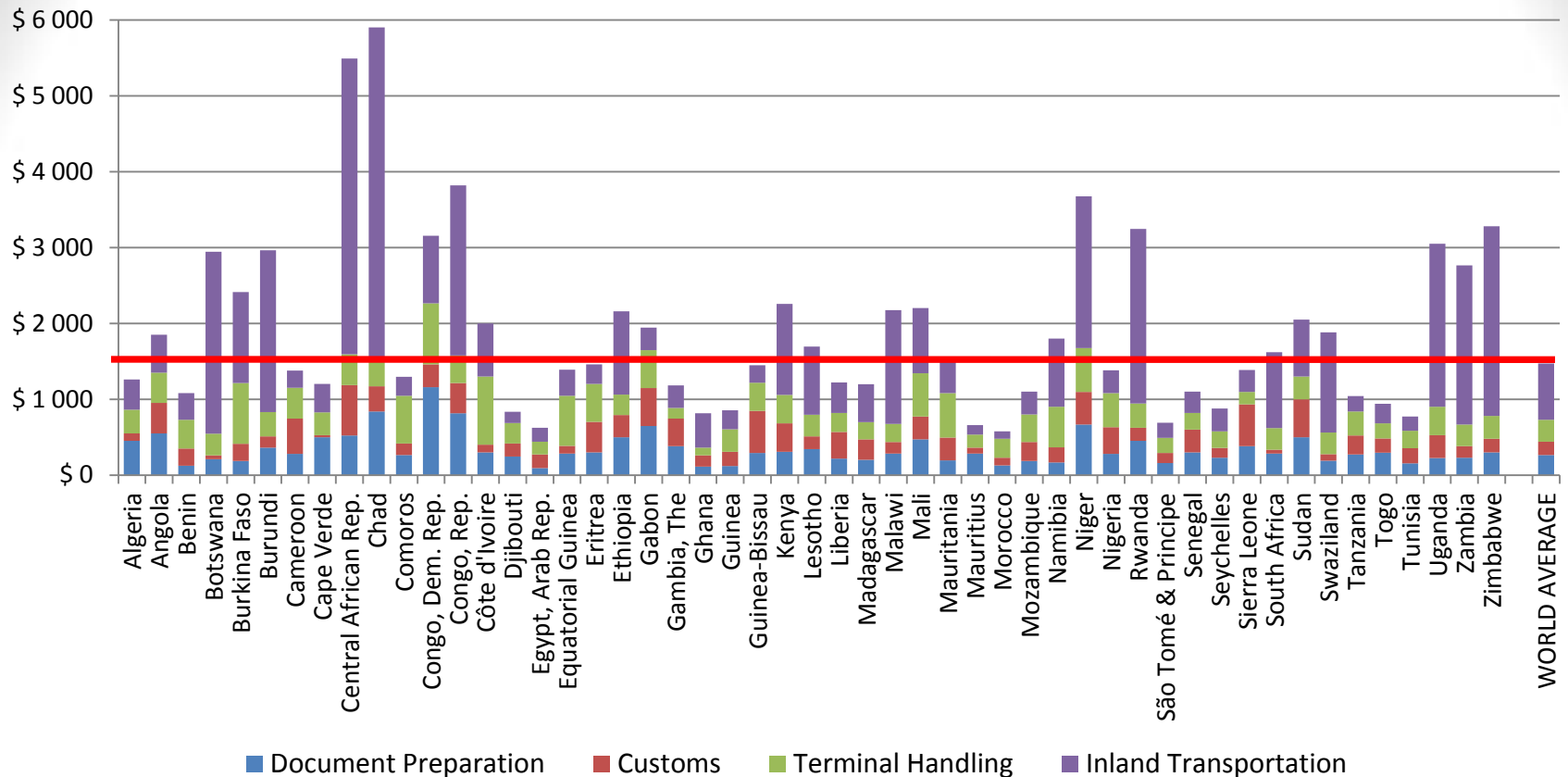
Despite the fragmentation of the regional market, intra-Africa trade is significantly more diversified than Africa's trade with the rest of the world.

Regional integration can therefore support Africa's transformative agenda, allowing firms to embark into greater value addition, and achieving more profitable economies of scale.

It can also foster the emergence of regional supply chains, thereby contributing to more stable supplies against idiosyncratic shocks (for instance in agro-food products).

TRADE COSTS IN AFRICA (continued)

Cost of exporting one standard container from African countries; 2012

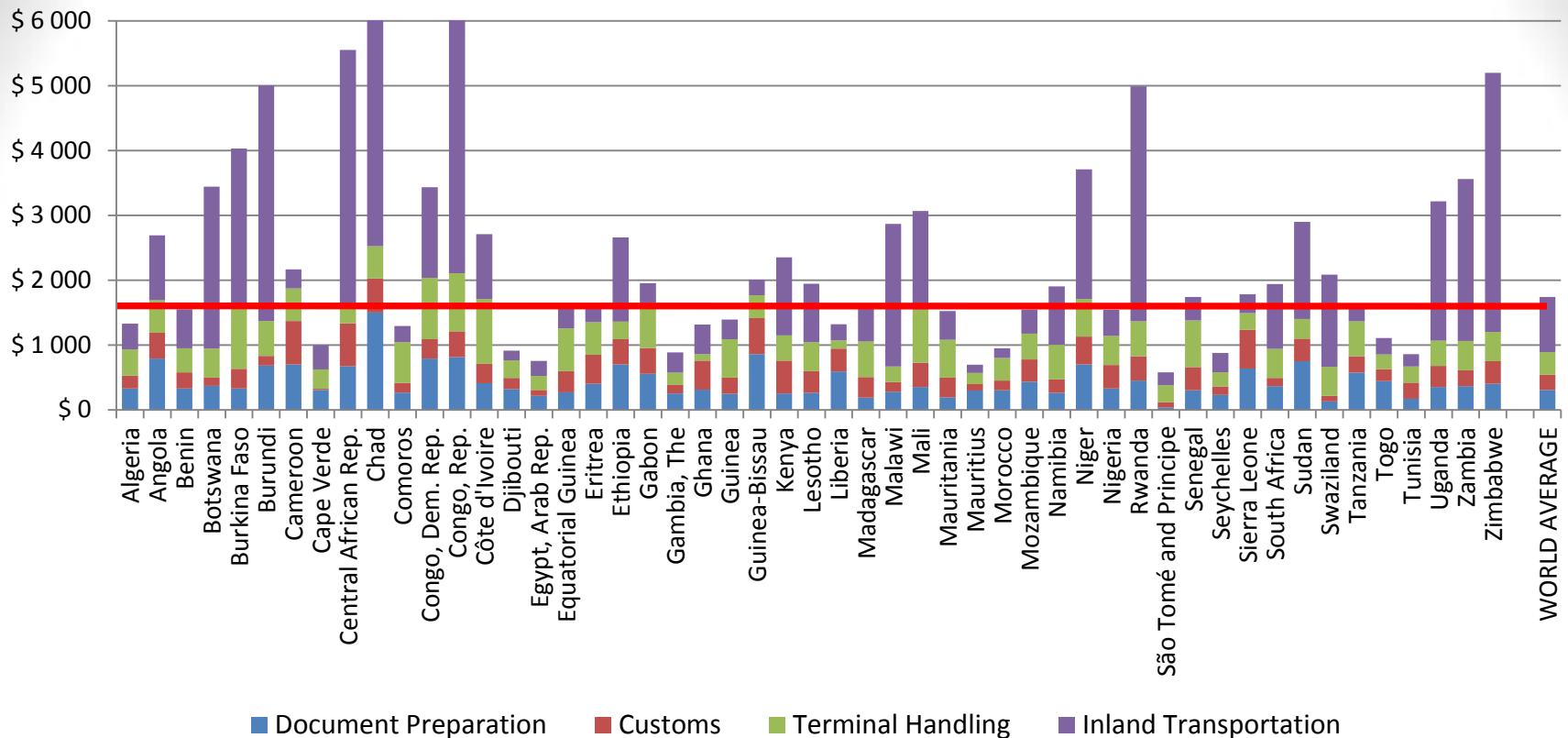


Source: WB Doing Business database

- The incidence of transport on total export costs is high (on average 40%) and is all the more critical for LLDC.
- Large variability across countries, across all components.

TRADE COSTS IN AFRICA (continued)

Cost of importing a standard container into Africa; 2012



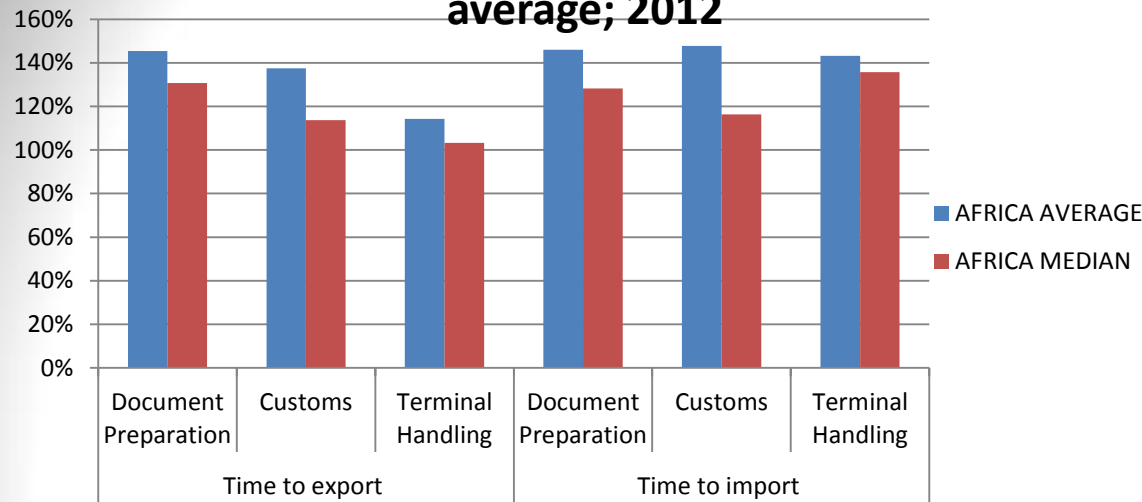
Source: WB Doing Business database

- Imports costs follow a trend similar to export ones (correlation 0.86) and have a similar structure; however they tend to be 30% higher.
- In so far as larger import costs affect prices of imported intermediates and capital goods, this may hamper Africa's diversification and transformation agenda.

TRADE COSTS IN AFRICA (continued)

Africa's performance relative to world average; 2012

average; 2012



✓ Zooming on strictly TF issues, import-export activities in Africa take $\approx 20\%$ longer and are $\approx 20\%$ more costly than the world average.

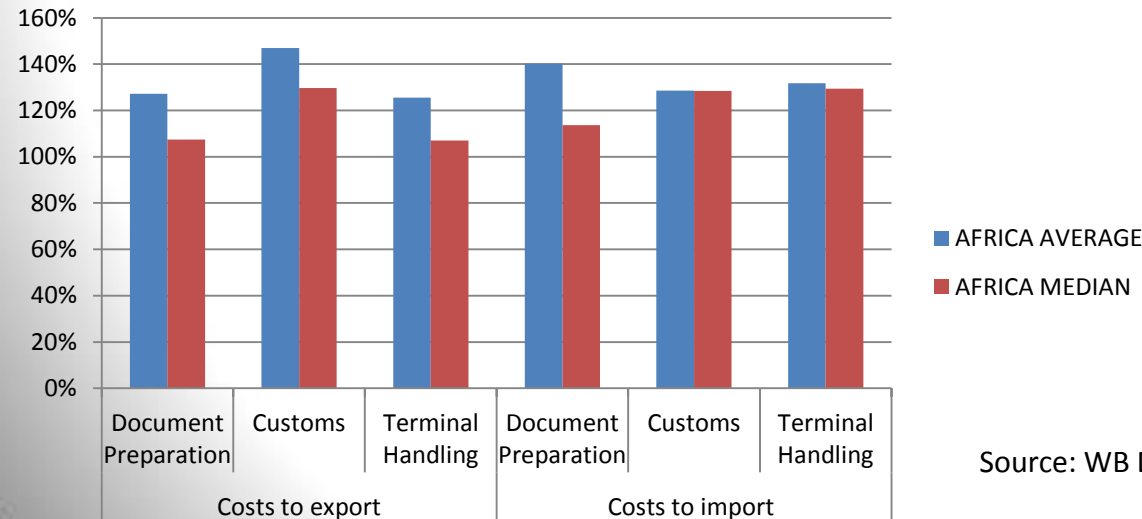
✓ Custom procedures are particularly costly for exporters.

✓ This creates a competitive wedge penalizing African firms.

✓ Preliminary evidence on bilateral trade costs suggests that these are often higher within Africa than with the rest of the world.

Africa's performance relative to world average; 2012

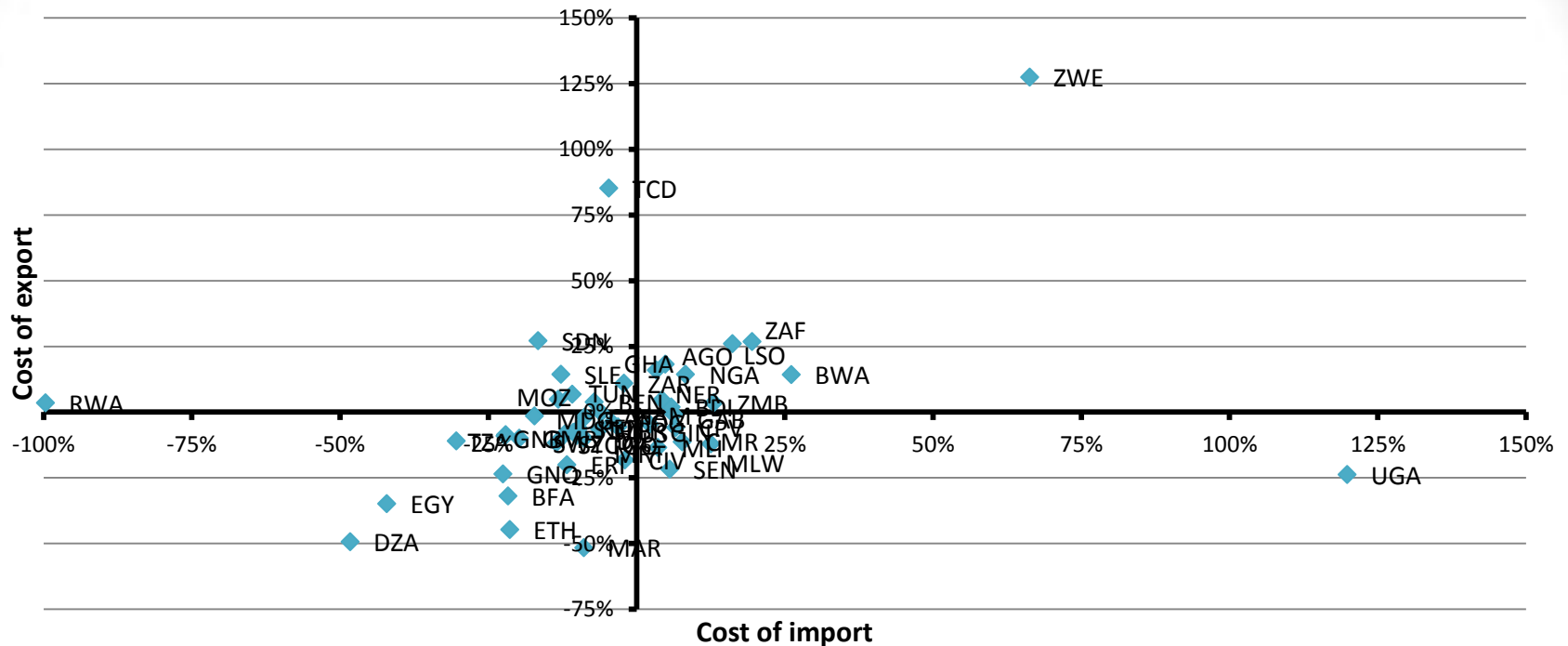
average; 2012



Source: WB Doing Business database

TRADE COSTS IN AFRICA (continued)

Change in trade costs relative to the world average; 2007-2012



Source: WB Doing Business database

- Globally, import/export costs have increased by 23% in nominal terms, between 2006 and 2012.
- Geography matters, but progress is also a matter of political will → for example Burkina Faso, Ethiopia, and Rwanda (all LLDCs) cut significantly costs relative to world average.

IT AND THE IMPORTANCE OF TRADE FACILITATION

- Against this background, OECD 2011 estimates that comprehensive implementation of all TF measures currently being negotiated in the World Trade Organization's could reduce total trade costs by 10% in advanced economies and by 13-15.5% in developing countries.
- Increasing custom efficiency can play a critical role in redressing Africa's disproportionately high trade costs, with positive effects also on regional integration:

If the establishment of the CFTA is complemented by specific TF measures (halving the time goods spend at ports and doubling the efficiency of customs procedures) the share of intra-African trade could more than double between 2012 and 2022, from 10.2% to 21.9%. (Mevel & Karingi, 2012)

- This could enhance further the sophistication of intra-Africa trade, and allow African firms to connect and move up regional and global value chains.

IT AND THE IMPORTANCE OF TRADE FACILITATION

Greater use of IT can contribute to TF in a number of ways:

- ✓ **Enhance custom efficiency** through automation → ex. in Ghana custom clearing time reduced from 3 days to 4 hours following the adoption of more efficient technology (EDAR, 2009)
- ✓ **Improve coordination** across various actors involved in cross-border trade → ex. container tracking systems
- ✓ **Reduce the scope for corruption and trade mispricing**, thereby increasing revenue collection → ex. in Angola modernization of customs increased revenues by over 100% (EDAR, 2009)
- ✓ **Improve information management** → ex. use of soft-copies of documents
- ✓ **Provide scope for technological leap-frogging** → ex. use of mobile banking services has reduced costs

CONCLUDING REMARKS

- Disproportionately high trade costs represent one of the key barriers to Africa's participation to global trade, both within and outside the region
- By negatively affecting intra-African trade, high trade costs also hamper the continent's efforts towards economic transformation
- TF is an imperative to enable African firms to recover the competitiveness wedge lost because of inadequate infrastructures and lengthy and costly cross-border trade procedures
- Streamlining of procedures, and greater use of IT can do a great deal to enhance custom efficiency and reduce trade-related costs.

Thank you for your attention!

<http://www.uneca.org/our-work/regional-integration-and-trade>