

# **WTO Agreement on Trade Facilitation : Implications for LLDCs**

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# WTO Agreement on Trade Facilitation : Implications for LLDCs

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# Preamble

**Trade facilitation** refers to a broad range of reforms that aim to streamline **the movement of goods and services** across national borders. Trade facilitation addresses the logistics of moving goods through ports and borders or the more efficient movement of documentation associated with cross-border trade. It refers to all measures by governments to **achieve a seamless flow of trade** across borders.

**Landlockedness** hinders full participation of Land locked developing countries (LLDCs) in international trade. Lack of territorial access to the sea, remoteness & isolation from **the world markets**, compounded by other additional challenges such as additional border crossings, cumbersome transit procedures, inefficient logistic systems, weak institutions and poor infrastructures always translate into **high transport and transit costs** for LLDCS



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# Preamble

- These **additional costs** and **obstacles** present a tremendous trade reducing effect that has a direct negative effect on the socio economic development & puts these countries at a disadvantage in fully harnessing their full potential to support their sustainable development efforts.
- As such, the Amalty programme of action (APoA) was adopted in 2003 as a response to the growing recognition by the international community of **special needs & challenges** faced by LLDCs. The over reaching goal of the program is to foster the establishment of efficient transit transport systems in all LLDCs based on mutually beneficial collaboration with transit developing countries and with the development partners. This would enhance full integration of LLDCs into the multilateral trading system and help contribute directly to the achievement of the Millennium Development Goals.



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# Preamble

Several engagements have been held to this effect such as

- i) WTO Doha Round of Trade negotiations,
- ii) Ninth Ministerial Conference in Bali 2013 ( Bali Package ) among others.

The Trade facilitation Agreement will become a legally binding agreement and is seen as **one of the biggest reforms** of the WTO since its establishment in 1995. The final text of the Agreement will be adopted by the WTO general Assembly council by 31 July 2014.



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# Key Disciplines addressed in the WTO Trade facilitation Agreement

- Publication of Laws, Regulations & Procedures
- Enquiry Point for Trade Information· Information on New Laws & Regulations Before their Implementation
- Provision of Advance Rulings
- Enhanced Right of Appeal
- Notification of Detained Goods
- Disciplines on Fees and Charges & Penalty Disciplines to Prevent Conflicts of Interest
- Pre-Arrival Processing of Goods
- Creation of Authorized Operator Schemes
- Procedures for Expedited Shipments
- Quick Release of Perishable Goods
- Reduced Documents and Formalities
- Utilizing Common Customs Standards & Uniformity in Border Procedures & Documents
- Promoting use of Single Window
- Sanitary &Phyosanitary



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# East African Community



- Member Countries
  1. Uganda
  2. Kenya
  3. Tanzania
  4. Rwanda
  5. Burundi

# Progress achieved to date





# What progress has been achieved so far ?

## 1) EAC Single Customs Territory

EAC member states have adopted **a destination model of clearance of goods** where assessment and collection of revenue is done at **the first point of entry**.

This allows free circulation of goods in the single market with variations to accommodate goods exported from one partner state to another. Customs administrations at destination states will retain control over assessment of taxes.

The trials which started in November 2013 , has seen URA start with big oil companies mainly i) Vivo Energy ii) Total. This will **crystallize the gains of integration** characterized by minimal internal border controls and a more efficient institutional mechanism in clearing goods.



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# What progress has been achieved so far ?

## 2) Asycuda World (Automated System for Customs Data )

The system enables customs authorities and traders to handle customs procedures from their **declarations, cargo manifests, to transit documents electronically via the internet** which results into quicker declaration processing. This implies that there will be **no need for physical documents** to the Central Business Centre as the case has been.

ASYCUDA World is internet-based and can be accessed through any internet web browser such as Internet Explorer, Google Chrome, Safari, or Firefox. This system with fast clearance, simplification of the clearance process and reduction in the cost of clearing, there will be an expanded client and a profit base leading to **improved income tax returns**.



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# What progress has been achieved so far ?

## 3) Integrated Border management Programmes :

### Construction of One Stop Border Posts (OSBP) e.g. Mutukula ,Katuna & Busia

Clearance of goods at the border posts will be **shortened from days to just hours** following a boost of \$15m (sh42b) for border post infrastructural development provided for by Trade Mark East Africa.

The OSBP facility will also incorporate other control units such as **quality and drugs units, the Uganda National Bureau of Standards**, and any other competent agencies( to be located within the common co

Additionally ,Piloting of the **24/7-hour operations** at Katuna, Busia, and Malaba borders.



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# What progress has been achieved so far ?

## 4) Electronic Cargo Tracking System :

Introduced by URA to improve efficiency & reduce the cost of doing Business. The system will facilitate trade through **timely execution & cancellation of customs bond guarantees for cargo in transit**, making the transit process faster, more efficient and secure. Discovered some goods come into Uganda and declared as goods intended for another country, thereby avoiding import tax, only for the goods to be sold in the Ugandan market, leading to an unfair competition due to their low pricing. This System will be **pioneered on high risk goods like sugar, wines, spirits, explosives, textiles & Cigarettes.**



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# What progress has been achieved so far ?

## 5) Electronic Single Window

Government of Uganda is taking the steps necessary to launching a one stop electronic trade clearance system, a computerized scheme that **saves time and money**. A High Level Task Force (HLTF) has been constituted to agree on national governance and institutional arrangements for adoption and implementation of the electronic single window system (E-SW) in Uganda . The private sector signed a memorandum of understanding (MOU) with the Government of Uganda through MTIC.

The E-SW system will link **government, clearing agencies and local traders** easing/speeding up international trade. It will decrease the time the process usually takes by 50 per cent .



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# What progress has been achieved so far ?

## 6) Authorised Economic Operator (AEO)

In 2010, the Uganda Revenue Authority set out to pilot the Authorised Economic Operator (AEO), a World Customs Organization (WCO) framework whose major objective is trade facilitation, promotion of supply chain security and ultimately enabling voluntary compliance to customs.

i) Businesses which comply with customs laws and regulations will benefit from **preferential customs treatments** such as fast clearance of their goods through simplified procedures, reduced inspection.

ii) The AEO national status will allow the authorized company/individual to enjoy this **preferential advantage** prescribed by the URA. The status qualifies a company to apply and join the five EAC countries (Uganda, Kenya, Burundi, Rwanda, and Tanzania). URA is currently handling this in phases starting with clearing agents and importers.

Companies that received **Certificates of Authorization** at the function held at the Kampala Serena hotel are: Nice House of Plastics Ltd, Uganda Batteries Ltd, Jesa Farm Dairy Ltd, DHL Global Forwarding U (Ltd), Unifreight Cargo Handling Ltd, Roofings Ltd, Steel and Tube Industries Ltd, BAT Uganda Ltd, Bollore Africa Logistics(U) Ltd, and Toyota Uganda Ltd.



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# What progress has been achieved so far ?

## 7) Transport & Works

### i. Transport Infrastructure

The Multi national Kenya – Tanzania ; Arusha – Holili / Taveta voi road that is 240 KM long to be constructed. The detailed designs were completed in Jan 2013. Loan negotiations were completed in march 2013 with Africa Development bank & Kenya /Tanzania governments.

### ii. Road Network Harmonization

Harmonization of Road designs , Standards & specifications study on Transport facility strategy was finalized in may 2013. Once adopted, will be the basis of execution.

### iii. Implementation of the East Africa railways master plan

EAC & EADB signed a grant in December 2012 to the amount of USD 1.2Million to cover the cost of conducting a study on the railways sector enhancement project.



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# What progress has been achieved so far ?

## 8) Sanitary & Phytosanitary Protocol

SPS Agreement for development and periodic review of standards, guidelines and recommendations with respect to all aspects of **sanitary** and **phytosanitary** measures.

Agriculture is one of the key sectors in the LLDCs region due to the sector having **the highest potential for growth in terms of export**. LLDC realise, however, that the sector can only grow significantly if producers are able to access markets for agricultural products.

To facilitate market access and promote intra Africa trade **it is critical that border trade policies, including SPS measures be harmonized** in line with international standards and guidelines in the interest of improving the movement of goods and services in the region. A council of Ministers signed a protocol to this effect & is expected to be rectified by all the states by 30<sup>th</sup> June 2014.



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# What progress has been achieved so far ?

## 9) EAC – EC EPA Negotiations

The EAC Partner States are among the African, Caribbean and Pacific (ACP) group of countries that entertain a special relationship with the European Union. This relationship started in 1957 when the EU signed an agreement in Yaoundé, Cameroon with the ACP countries committing to help the **latter in promoting their economic and social development.**

Implementation of the EC Market Access offer began on the 1st January 2008 (Framework Agreement & Council Regulation (EC) No. 1528/2007 of 20 December 2007). The EC Market Access offer consists of **duty free and quota free access for all EAC exports** to EU, except for HS 93 – arms and ammunition (MFN rates apply).



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# What progress has been achieved so far ?

## 10) Customs Capacity Building

EAC customs training programme was launched in May 2013. The Training of Trainers in customs was meant to equip the trainers with **the requisite capacity** to implement the curriculum.



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# What progress has been achieved so far ?

## **11) Finalization of the Study on the development of a legally binding mechanism on Elimination of Non Tariff Barriers.**

A revised Draft of EAC Non Tariff Barriers Bill was considered both by the 12<sup>th</sup> EAC Regional meeting on NTBs held on Oct 2013 & the Sectoral council on trade, Industry & finance in November 2013. The Bill when approved will enhance the work of EAC regional forum on NTBs & the national Monitoring committees of NTBs.



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# What progress has been achieved so far ?

## 12) Inter government Arrangements

### *a) Bi Lateral Arrangements*

Uganda on 27<sup>th</sup> January 2012, signed a Memorandum of Understanding (MOU) with the Republic of Rwanda on elimination of NTBs. In this arrangement, the two governments through their Ministries of Trade have agreed on a reporting and removal mechanism of all NTBs faced by traders in each other's territory. A follow up meeting was held on 25<sup>th</sup> June 2012 to review the progress and a time bound work plan was adopted and will be reviewed by the two countries semi-annually.

within the EAC trades, Kenya & Uganda for both imports and exports conducted another bilateral meeting in Month of August 2012, aimed at developing a common strategy for eliminating NTBs that affect traders of both countries.



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# What progress has been achieved so far ?

## ***b) Tripartite arrangements (COMESA/EAC/SADC) Approach***

- In the spirit of harmonizing activities within the three Regional Economic Groupings, an online reporting mechanism was developed under the auspices of Trademark South Africa. It enables traders who operate beyond the EAC region to report on-line NTBs faced by logging on to [www.tradebarriers.org](http://www.tradebarriers.org). The system enables registered users to immediately register a complaint in any part of the Tripartite region. When a trader lodges a complaint it is immediately sent to the administrator of the system, who then channels it to Focal Point officers in the Ministries of Trade in all the three REGs for action. The beauty of the system is that it enables both the Focal Point Officer to monitor complaints and the processes of removal of a reported NTB.



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# What progress has been achieved so far ?

## *c) EAC Approach*

- The legal obligation and mandate to eliminate NTBs is embedded in Article 13 of the Protocol Establishing the EAC Customs Union. The Protocol obliges Uganda, Kenya Tanzania, Burundi and Rwanda to formulate a mechanism for identifying and monitoring the removal of NTBs.
- The mechanism is complemented by National Monitoring Committees (NMC) in all partner States who receive NTB reports from affected traders and initiate the process of removing them. The Ugandan NMC is hosted and chaired by the Permanent Secretary, Ministry of Trade, Industry and Cooperatives and is co-chaired by the private sector representative – the Chairman of the Uganda Clearing Industry and Forwarding Association (UCIFA), Kassim Omar.



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# What progress has been achieved so far ?

## 13) Uganda National Bureau of Standards (UNBS) :

Improving systems for standards and testing of both imports and exports for the Uganda National Bureau of Standards (UNBS). A New Electronic system was rolled out by WTO in 2013 directed towards improving transparency on Ugandan markets as more entities will update our partners on developing standards. This will among others, control the dumping of counterfeit products as concerned governments will be updating product standard gauges to trading partners in real time.



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# Challenges / Barriers



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# Challenges / Barriers

- a) **Non-Tariff Barriers (NTBs), also called Non-Tariff Measures** -  
Emergency of Non Tariff Barriers . These tend to change form from country to country.
- b) **Funding** – Most countries in the LLDCs are skeptical on their capability to sustain the initiatives in the Agreement ; as such are relying more unto Development Partner support.
- c) **Harmonization of Laws & Policies** – Some Countries have unique laws that pause a challenge for implementers to Harmonize.
- d) **Capacity Limitations** – Capacity challenges In terms of People Resources & skills.
- e) **Lack of Synergy** - Uncoordinated Mandates of Institutions dealing with elimination of NTBs.



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# Implications to LLDCs



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# Implications to LLDCs - Uganda

## 1) Cutting Red Tape

The issue of trade facilitation brings the WTO right to the customs' gate. Traders from both developing and developed countries have long pointed to **the vast amount of red tape** that still exists in moving goods across borders.

Documentation requirements often lack transparency and are vastly duplicative in many places, a problem often compounded by a lack of cooperation between traders and official agencies.



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# Implications to LLDCs - Uganda

## 2) Increased Competition

Now, domestic Industry have to compete, with international products and services, at home. All products will strive to meet international standard so as to exploit the **Vast export Market**.

## 3) New Business Block/ Export Promotion

It makes it easier **for businesses big and small to participate** in trade around the world esp. WTO Member Countries ; help small businesses access new export opportunities through measures like transparency in customs practices, reduction of documentary requirements, and processing of documents before goods arrive.

## 4) Physical Infrastructure Development

With the need to increase efficiency , **Governments will invest** in building Roads, Telecommunications Infra structure, airport, railway Systems among others.



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# Implications to LLDCs - Uganda

## 5) Regional Integration

Intra-African trade is still relatively low and African companies are struggling to participate in regional and global value chains. The need harness regional integration as an opportunity to expand trade in the region .The existing diversity and potential for production, **regional value chain production is mostly absent in the region**, and as result opportunities for job and income creation are lost.

## 6) Poverty Reduction Catalyst

The aim of facilitating trade is not simply to expand trade but also to focus on the broader goal of sustainable and broad-based economic growth. The expectation is that economic growth becomes **a catalyst for poverty reduction** by creating more and broad-based job and income opportunities. The levels of poverty are expected to drastically drop increased wealth creation opportunities within member countries.

# Implications to LLDCs - Uganda

## 7) Reduction of Trade Costs

The trade facilitation measures will **reduce the costs of trading** in LLDCs in a variety of ways. These reforms help to reduce the time needed for travel, border-crossings and administrative procedures: better border management, such as the introduction of automated customs systems and streamlining of border procedures.eg Asycuda world, One Stop Border Post.

## 8) Increased & effective collection of revenue & Customs efficiency.

With the Significant reduction in Non-Tariff Barriers to trade ,countries will **benefit from ecommerce** that will lead to increased economic activity & subsequently, increase Revenue collection.



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# Challenges facing Private Sector



# Challenges facing Private Sector

- They include ;
  - I. Poor Infrastructure & Utilities
  - II. Financing Cost
  - III. Low levels of Entrepreneurial and Managerial skills.
  - IV. Poor Governance
  - V. Lack of Market Information



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# Challenges facing Private Sector

- **Poor infrastructure and utilities**

The adequacy and reliability of the services of infrastructure – roads, rail, power and water supply, telecommunications, etc. . Poor roads are the second leading infrastructure constraint identified by the private sector. The situation is further compounded by the high cost and unreliable/ inadequate supply of electricity power and water.

- **Financing Cost**

One of the biggest challenges faced by the private sector in Uganda is financing or access to credit. Where there is access, its cost (interest rate) is prohibitive and makes it practically inaccessible. The SMEs are particularly vulnerable as they are not able to pay interest rates typically 25-30% and be able to survive.



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# Challenges facing Private Sector

- **Low levels of Entrepreneurial and Managerial skills.**

Many of these enterprises lack the technical skills required .The Private sector still suffer shortage of critical skills in financial, production, material and project management terms, as well technical capability, which, along with other factors, have contributed to the low productivity of the sector.

- **Poor Governance**

Corruption accounts for 25% of Africa's GDP, its an integral part of the community we operate in. Because of Its prevalence, it has escalated the already high costs of doing business for the local community.

# Challenges facing Private Sector

- **Lack of Market Information**

Lack of information about the existing markets within the EAC region & the international markets; lack of linkages between the government departments and the relevant competent authorities. Lack of provision of in-market support such as market-intelligence reports, contacts, etc.

# Summary

These measures are primarily to reduce the cost doing business, increase investment, and scale up exchange of goods and services and spur economic growth, which is vital to promote socio-economic cooperation and poverty alleviation.

The cost savings of trade facilitation pay real dividends: The OECD estimates that for every one-percent reduction in global trade costs, global incomes go up by \$40 billion – and that the new WTO Trade Facilitation Agreement struck at the 9th WTO Ministerial Conference in Bali, Indonesia can cut trade costs by almost 14.5 percent for low-income countries, 10 percent for high-income countries. Other studies estimate that significant trade facilitation like that supported in this agreement could increase global GDP by almost \$1 trillion.



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# Thank You

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