

# One Stop Border Post Lebombo-Ressano GarciaG

## Towards Greater Regional Competiveness

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# Outline of Presentation

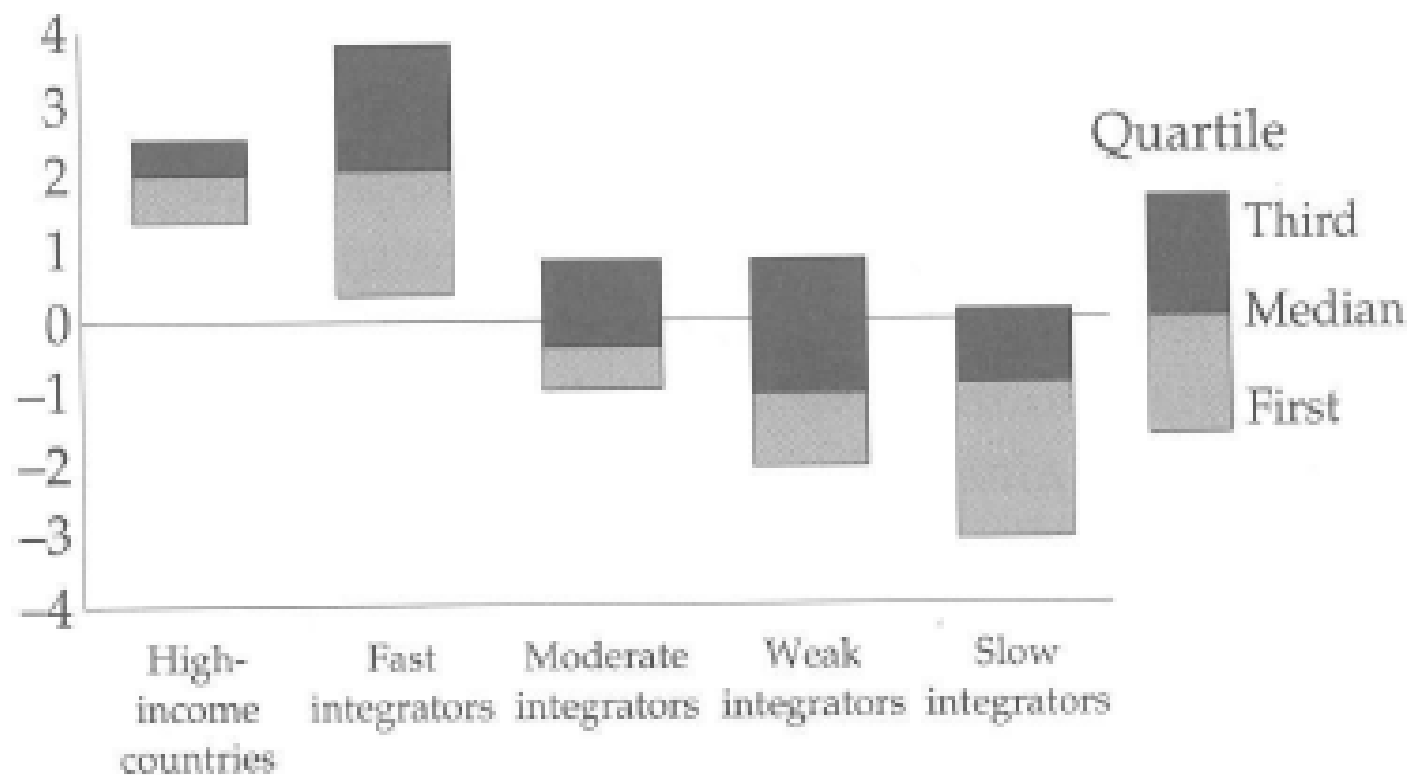
- **Proposition 1:** Globalization stimulates growth
- **Proposition 2 :**Trade Facilitation complements Trade Liberalization
- **Proposition 3 :**Trade Facilitation and WTO, NEPAD, SADC
- **Proposition 4:** Globalization and Migration
- **Proposition 5:** Globalization and Security
- **Proposition 6:** OSBP can make substantial contribution

# 1. Globalization leads to faster Growth

- Globalization defined: trade volumes, foreign investment
- What drives foreign trade ?
  - **Beyond the border:** opening of markets
  - **On the border:** border control agencies, domestic tariffs
  - **Inside the border:** level of development and business climate affect exports and its composition
- What drives Foreign Direct Investment?
  - Natural resource endowment
  - Business climate-See WB studies on the subject

Figure 2-5a Median real per capita GDP growth and speed of integration, 1984–93

Percent

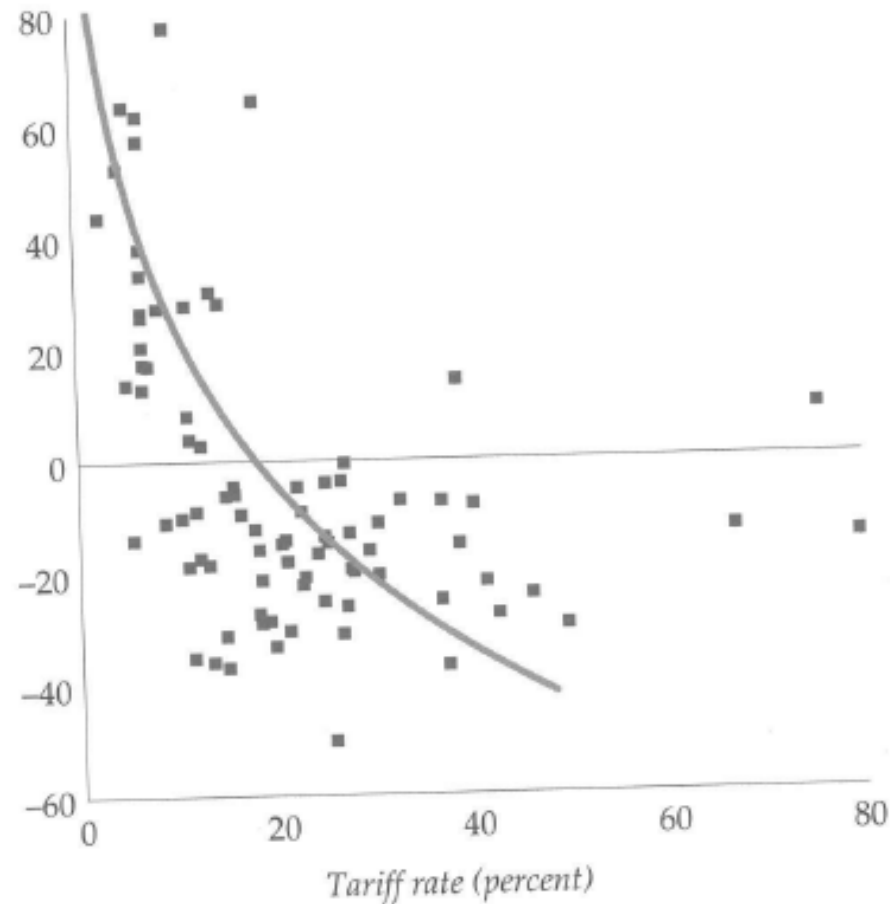


Source: World Bank data and staff estimates.

*Higher tariffs mean lower trade ratios*

**Figure 2-7 Average tariff rates and population-adjusted trade/GDP ratios**

*Trade ratio (percent)*



## 2. Trade Facilitation complements trade liberalization

- Much progress has been made with trade liberalization in the last 20 or so years.
- Countries have benefited to different degrees.
- But trade procedures and facilities have lagged behind: expensive and time consuming border control procedures, poor access for exporters to duty free goods, inadequate transit arrangement and clumsy payment systems hamper trade

# TF Defined

Simplification and standardization of procedures and associated information flows required to move goods internationally from seller to buyer and to pass payments in the other direction.

# Benefits from Trade Facilitation

- **Financial returns** : increase in fiscal revenues  
But increase in tax revenues is only transfer of funds from traders/consumers to MOF; only welfare enhancing if MOF making better use of these monies than traders/consumers.
- **Economic returns**: measures welfare enhancement
  - Reduction in cost
  - Increase in income

# Financial rates of return

## How are fiscal revenues—customs duties and other trade related fiscal revenue-- affected by TF program?

Difference between revenues “without” the TF program and “with” the TF program .

- *Without TF program:* Fiscal revenue is likely to fall over time: Lower tariff rates, goods increasingly are sources in countries with preferential tariffs, composition of imports may drift towards low taxed commodities ?
- *With TF program:* Close the GAP and positive impact on revenues as economic activity and trade expands.

More effective control of valuation, classification, origin, reduced leakages, more efficient transit control

**Likely outcome:** Higher revenues than would otherwise be realized. MOF is happy and supports.

# Economic Rates of Return

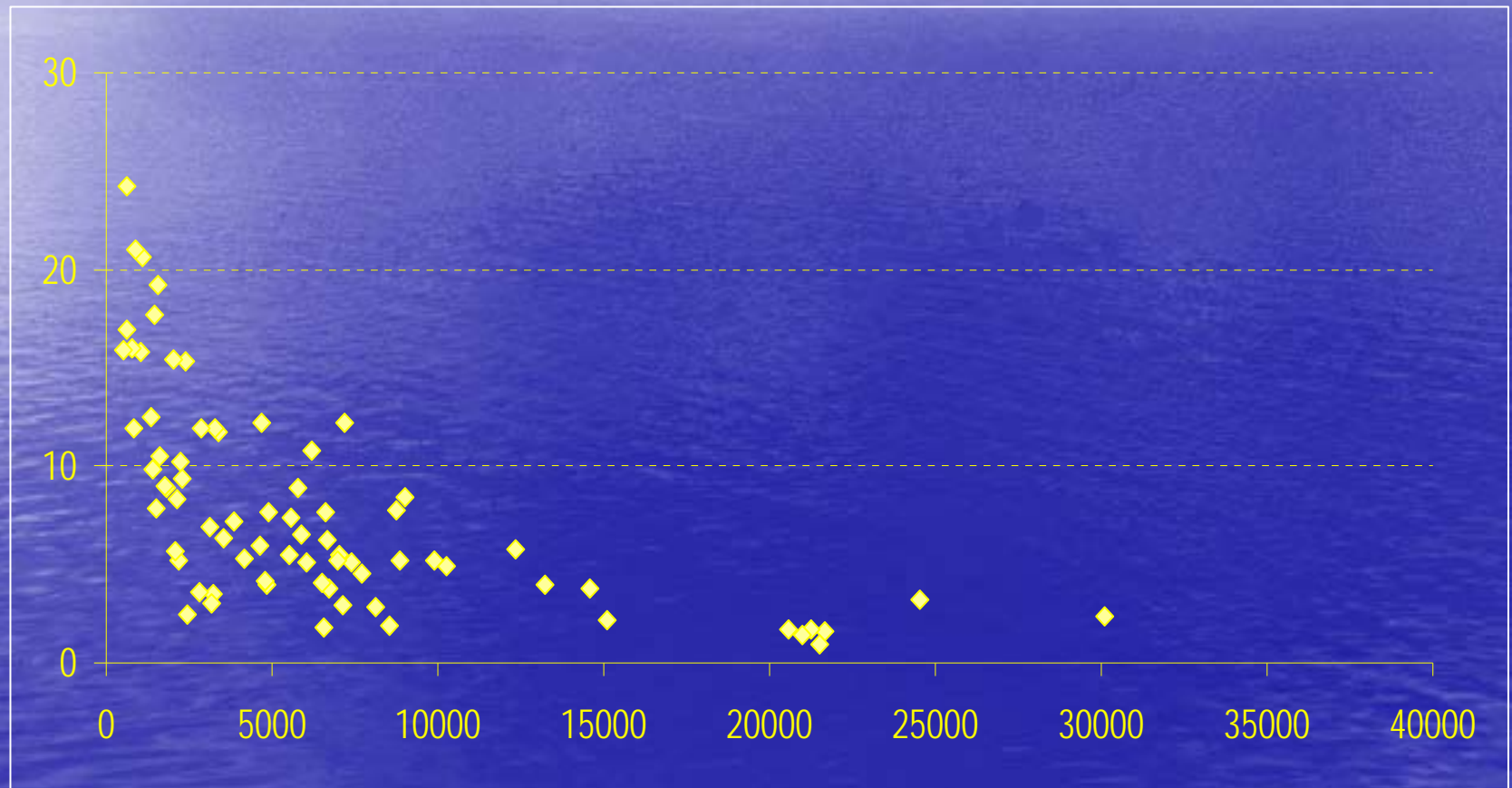
TIME IS MONEY

SIMPLER IS CHEAPER

TRADE IS GOOD FOR YOU

# Time is Money

## BORDER WAITING TIMES (DAYS) IN RELATION TO GDP (USD-PPP)



## Indirect costs:-release time related

- Procedural delays, e.g. time for border clearance.
- Lack of predictability in the nature, application or interpretation of regulations, higher inventories.
- Lost business opportunities—just in time delivery.

## Overall Estimate/Assumption based on studies:

- Reducing release time by one day equals cost reduction of cargo by .5%.

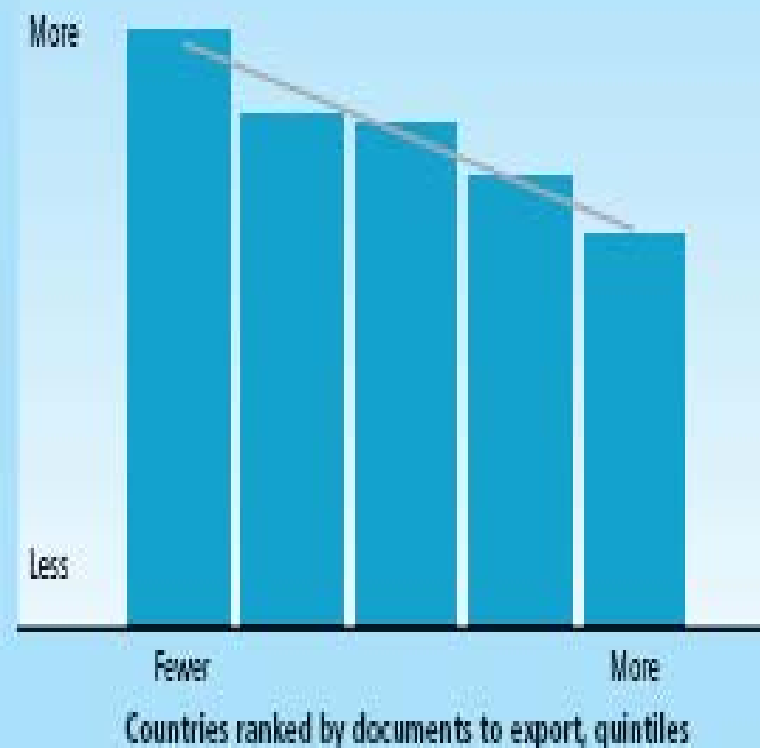
# Simpler is Cheaper

- Complex declarations are expensive for the trader to prepare and for Customs staff to process. Compliance costs and enforcement costs.
- Need to “wrap numbers around this” Suggestion:
  - EC estimated that in 1989 documentation cost varied between 3.5-13%, depending on commodities and destination of trade flows. Country case study can refine such estimate.
  - Cost to Customs: estimate increase of number of declarations per officer.
- TF initiatives can reduce this cost to traders in half and increase productivity of Customs staff by 30%?

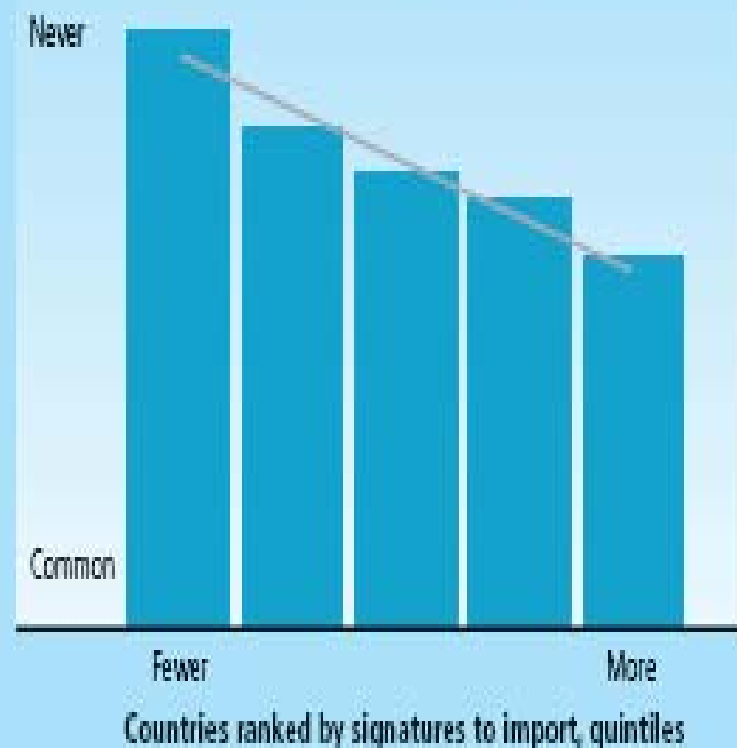
FIGURE 9.6

## More red tape in trading—less trade, larger bribes

### Trade to GDP



### Corruption in exports and imports



Note: Relationships are significant at 5% level and remain significant when controlling for income per capita.

Source: *Doing Business* database, WEF (2004), World Bank (2005d).

# Trade is Good for You

The more the better

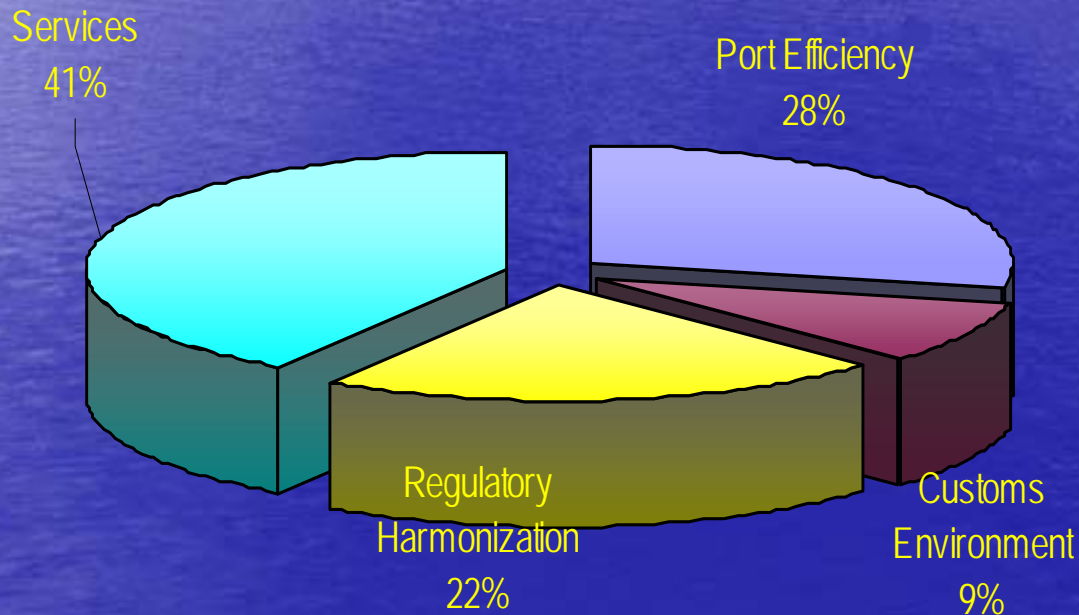
The TF program will increase external competitiveness and thus lead to higher levels of exports and imports.

- This increases income, reduces poverty
- Overall economic effects needs to take account of the larger trade flow induced by TF

Trade flows benefit from unilateral TF measures, but benefits are leveraged up if all trading partners adopt these TF program. Hence importance of international and regional initiatives.

# RAISING CAPACITY HALF-WAY TO GLOBAL AVERAGE (Wilson, Mann, Otsuki 2003)

\$377 billion increase in 75 countries i.e. 9 percent



# Exports benefit from Trade Facilitation

- Detailed survey data based on survey data : exporters from Ethiopia, Kenya, Mali, Mozambique, Senegal, Tanzania, Uganda and Zambia. WB Investment Climate Surveys. Data relate to many aspects of doing business and of the businesses themselves. (George Clarke, World Bank. June 2005)

## Main Findings

- Enterprises in sectors and regions with burdensome trade and border crossing regulations export less than other enterprises.
- Simulation: if Tanzanian's trade processes and customs procedures were as favorable as those of Zambia, the average firms would increase the exports share in total production by 4.7 percentage points. As this share is very low at present this would be a very significant increase.

# 3. Trade facilitation: An international objective

- **WTO** : Doha Development Round has taken on TF. All border agencies are implicated. Large series of proposals on the table. Should provide new impetus to facilitating trade if the Doha Round comes to completion.
- **World Customs Organization** supports OSBP as a best practice
- **NEPAD**: Objective 3 refers to : *To halt the marginalisation of Africa in the globalisation process and enhance its full and beneficial integration into the global economy.*
- **SADC**: Trade Protocols refer to both trade liberalization and trade facilitation, in particular the Protocol on customs modernization. OSBP is very much on the agenda.

# 4. Globalization and Movement of People

- Movement of people has not been fully incorporated in the international globalization agenda. So far focus was on movement of goods and capital. Effects have stimulated growth and poverty alleviation. But unfinished agenda.
- Movement of people is not new and affects large segments of the population— stable for the last 100 years at about 3% of the world population is “on the move”
  - Emigrant countries: large inflow of remittances : three times as large as all official international aid; transfers reduce poverty, underwrite healthcare, education, grassroots entrepreneurship. Brain drain!
  - Immigrant countries: Alleviates manpower shortages, impact of the financing of social security, renewed entrepreneurship
- But all too often the focus is on problems, integrations difficulties, social tensions, discrimination, empowerment of criminal networks.

# Globalization and Movement of People (Cont')

- New efforts afoot to mobilize the international community to leverage migration up for development and move towards the third stage of globalization i.e people.
- The July 9-11, 2007 Global Forum on Migration and Development held in Brussels under UN auspices illustrates the renewed international attention given to this issue. Details at <http://www.gfmd-fmmd.org>

# 4. Globalization and Security Concerns

- Security at the borders has for many years been a major concern for border agencies, police, immigration and customs. International Maritime Organization has launched its intensive ISPS initiative. IATA similar concerns.
- September 11 a turning point. Initially driven by the US. It impacts on movements of cargo and of people ; for some goods the control points were replaced to country of exit from the exporting country (CIS and EU initiatives in that direction).

# Globalization and Security Concerns Cont')

- Impact of security on trade.
  - Security interventions *increase cost of doing business*—business model changes, costly interventions in technology and infrastructure also in harbors (IMO-ISPS)
  - Greater security leads over time *to higher foreign investment* and lower risk premia as it reduces the risk of terrorist acts and bolsters investment confidence.

# WCO's Framework of Standards-June 2005

- Objectives :
  - Provide for supply chain security and facilitation at a global level to promote certainty and predictability
  - Enable integrated supply chain management for all modes of transportation
  - Strengthen Customs-Business cooperation

# WCO's Framework of Standards-June 2005

- Four Core Elements :
  - Harmonizes the advanced electronic cargo information requirements for inbound and outbound and transit shipments
  - Commitment to consistent risk management approach to address security threats,
  - At reasonable requests from the receiving country, the outbound and high risk cargo will be inspected using non-intrusive methods.
  - Business that meet minimum supply chain security standards will obtain benefits.

# WCO's Framework of Standards-June 2005

## Implementation:

- Phased approach: country diagnostics that result in Action Plan to be endorsed by governments
- *Demand driven* capacity building for selected countries

# 5. Globalization and the OSBP at LRS

- The establishment of the OSBP at LRG is fully in line with the regional integration ambitions of Mozambique and South Africa, fully aligned to the NEPAD objectives.
- It will reduce trade costs and thus enhance the external competitiveness of the Region and of the Maputo Corridor and ease the congestion of the Durban Harbor.
- It clearly must involve an “all government approach”

- The Draft Bilateral Agreement addresses the main issues/options involved in setting up the OSBP.
- These issues now need to be explored in detail to see what changes need to be made to the legislative and operational framework of border controls. Many of the issues mentioned in the Agreement also need to be explored in detail and made operational. Failure to do so would cause delays and sub optimal implementation. Examples abound..
- Important will be to identify the management structure for the OSBP and to articulate approaches to maximize the synergy between the private and the public sectors.
- Next steps must be identified and a clear timetable set.

THANK YOU

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