

Aid For Trade & Trade Facilitation

12 June 2008, Cape Town

Vishnu Bassant

Director

Ministry of Finance and Economic Development

Mauritius

Focus of NGTF Mandate

- Clarify and improve aspects of GATT Art. V, VII and X
- Promote effective cooperation between customs
- Deal with customs compliance issues
- Enhance TA and support for capacity buildings

Objective: Improve efficiency of customs and enhance trade competitiveness

Scope is gradually expanding through initiatives such as GFP

Even in the absence of WTO work on TF, African countries would need to develop their own TF measures to make Regional Trade Agreements (RTAs) fully effective



Why Customs reforms ?

Service

- Increase customs revenue
- Reduce business costs
- Reduce cost-to-collection ratio
- Improve predictability
- Encourage trade activity
- Manage RTAs
- Facilitate trade liberalisation

Economic

- Improve industry competitiveness
- Attract FDI
- Improve public sector efficiency
- Restore fiscal equilibrium
- Implement tax regimes effectively
- Diversify production base to improve resilience of economy



Freer Trade Brings Greater Prosperity

- TF is necessary but not sufficient to attain the ultimate objective of freeing trade from obstacles and enabling countries integrate the world economy
- TF not sustainable if there are bottlenecks in the wider economy

Beyond border posts there is a wider economy that requires reforming for development to be sustainable. Therefore global approach required to:

- Unlock development potential
- Sustain the wider development agenda
- Improve overall competitiveness of firms
- Improve FDI flows to diversify production
- Support Africa's integration in the regional/world economy



Previous experience shows

- TF has significant positive effects on the overall economy
- Many successful customs modernisation programs were part of wider structural reform programs to redefine the role of the state and open the country's economy
- Efficient implementation of some TF measures requires other reforms to be done in tandem
- Narrow-focus reforms are not sustainable

TF and AFT complement each other and allow countries to raise the level of ambition and pace of reform programmes provided the pledged additional resources are delivered effectively



Trade related concerns in the wider economy

Beyond improving Customs services there are other concerns to policy makers in Africa:

- Improving Port/Airport operations
- Addressing Infrastructure bottlenecks to facilitate cross border trade
- Connectivity (ICT)
- Investment
- Competition issues
- Tracking systems

AFT can fill the gap outside the purview of the NGTF



Scope of AFT Agenda

- TRTA/CB on policy and regulatory issues
- Trade Development
- Productive Capacity Building
- Trade Related Infrastructure
- **Trade Related Adjustment Costs**

It provides a global and more sustainable approach combining free trade and development dimension

TF fits in the AFT agenda. But need to avoid duplication/relabelling of instruments to ensure additionality

How AFT delivery can complement TF (1)

- NGTF to take on board other WTO initiatives and graft them to its own mandate to fill gaps such as infrastructure deficits to expedite implementation of TF measures
- Countries to pursue wider economic reforms made possible by the AFT initiative to address the development dimension of freeing trade, including policy and regulatory reforms.
- Such a programme could focus on;
 - Enhancing global competitiveness of firms
 - Improving public sector efficiency
 - Restoring macroeconomic fundamentals
 - Improving business climate/ease of doing business
 - Addressing adjustment costs associated with (regional) trade liberalisation
 - Developing trade related infrastructure
 - Building productive capacity
 - Facilitating the movement of capital, labour and services

How AFT delivery can complement TF (2)

The donor community needs to

- Operationalise AFT quickly to support reforms by:
 - Putting in place a flexible delivery mechanism preferably through GBS to support the reform programme
 - Finalising access rule and eligibility criteria
 - Frontloading assistance since costs of reforms are borne immediately whilst benefits accrue in the medium to longer-term
- Align their intervention on country's programme (Paris Dec)
- Support regional integration to enable DCs and LDCs experiment with liberalisation in a smaller geographical space before opening up to the rest of the world

How AFT delivery can complement TF (3)

Financial Institutions need to

- Provide TA and expert advice to countries and RECs
 - on the scope of wider reforms required
 - Linking national agenda to regional strategy
- Mobilise additional resources, including IDA/ADF for LDCs, to finance reform programmes
- Rethink their delivery instruments or strategy to make them more flexible where required
- Help set up SPVs to implement regional projects using a combination of government, donor/IFI and private sector funding to make them affordable

Concluding remarks

- Many stakeholders (in-country and donors) are involved in TF. Overlapping responsibility a real risk.
Need for harmonisation and better coordination
- Need for wider reforms instead of ad hoc, isolated interventions
If TF pays for itself, If TF benefits Govts. Consumers and business, why defer reforms? Why rely on external assistance? Why not reform voluntarily?
- A regional approach adds value, benefits from economies of scale and lower unit costs
Why has it proved difficult to implement regional instruments where they exist?