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Regional Integration in Africa: what it means to trade

The increase in demand for key commodities by manufacturers in China and India has placed significant pressure on the outward supply chains of key sources which are located in various landlocked countries in Central and Southern Africa.

Almost half of all cobalt consumed in China is sourced from the DRC whilst large volumes of copper also originate from the Katanga province which requires complex transits via Southern or Central Africa ports.

The combination of long distances and multiple border crossings has resulted in excessively high logistics costs, which has a multiplier effect on the resultant value chains.

In fact, countries such as Zambia and the Democratic Republic of Congo (DRC), ranked 123rd and 157th respectively in the 2014 edition of the World Bank sponsored Logistics Performance Index, rely heavily on effective trade corridors to access a limited number of exit ports such as Durban and Dar Es Salaam.

Regional integration is seen as being an essential component of trade sustainability and will be even more important once a number of new infrastructural projects are completed over the next five years or so.

As things stand now however, under-developed road and rail systems and disparate Customs regimes have led to all manner of obstacles to transporters as they travel thousands of kilometres in their journey to Durban or Dar Es Salaam, with the latter the most preferred for capacity reasons.

Many shipments are then stopped *en route* unofficially, by various parties requesting compliance to rules that do not exist. These are referred to as Non Tariff barriers (NTB's) and exacerbate the high logistics costs.

Added complexity in the form of various road bonds (guarantees), required to protect the Duty and Tax liability of passing countries adds a further layer of costs and processes and this can be further exacerbated by port congestion due to bad weather and other factors which contribute to a very lengthy and costly transit as mentioned.

Other extraneous factors, such as flooding and even disease: think Ebola, can aggravate the journey's further and as such traders and importers may well think that this *status quo* is likely to remain.

The recent decision by Botswana to impose border controls to copper- carrying vehicles emanating from the DRC ably demonstrates the fragility of some of these supply chains and the knock on effect to other countries, such as Zimbabwe which is receiving additional traffic at Beitbridge, one of the busiest landports in Africa.

Infrastructurally, there are often physical limitations that impede a prompt border crossing and the aerial photograph below captures the Kazungula Border crossing where trucks have to ford the mighty Zambezi using one of three modest ferries in order to progress from Zambia to Botswana or vice versa.



https://www.google.co.za/url?sa=i&rct=j&q=&esrc=s&source=images&cd=&cad=rja&docid=FuWmv-rdQlkZ3M&tbnid=xIIBSNkWR1BsM:&ved=0CAQqjB0&url=http%3A%2F%2Fmacintyresandenbergepedition.wordpress.com%2F&ei=5k4IU5T_PM7K0AWd

But this paper is about change and indeed progress as the region has initiated a number of new infrastructural projects and these are being complemented by a new drive towards improved country-to-country cooperation.

South Africa, for now, remains the premier gateway for most corridors into/out of sub Equatorial Africa and has invested billions into creating additional port capacity as it faces challenges from Tanzania, Namibia, Mozambique and Angola as new infrastructure in the form of ports, roads and railway lines augments materially, the existing supply chain corridors. The competition will create much needed additional capacity for outward cargo flows.

Also, customs integration is gathering momentum and the on-going roll out of the WCO Customs Modernisation programme has seen many of the individual countries' customs documents align to each other. This has been complemented by some measure of systems standardisation through the Asycuda Customs messaging platform will allow for more synchronous messaging and in all likelihood enable the development of more One Stop Border Posts (OSB's) which offer faster border crossings with less complexity.

Encouragingly, the SADC developed regional bonds seem set to be approved soon and will reduce further the complexity on the routes and the costly and often wasteful NTB's are now being monitored as awareness of the NTB reporting tool expands.

As for Kazungula, the commencement of the construction of a new bridge this year will transform this corridor, particularly as it is likely that a One Stop Border Post will be implemented. This then may well prove to be a metaphor for progress in the region – linking countries both physically and procedurally.