Low Levels of Customs Officials' Awareness: A Recipe for Underutilization of AfCFTA

By:

Sendra Chihaka

March 17, 2021

The official start of trading under the Africa Continental Free Trade Area (AfCFTA) on the 1st of January 2021 was met with pomp and funfair. Esteemed speakers ranging from the secretary general of the AfCFTA, the chairperson of the African Union Commission (AUC), the President of Niger (champion and leader of AfCFTA), the African Union (AU) chairperson, the president of Ghana as well as strategic partners such as the Afreximbank and Afrochampions Initiative spoke glowingly and confidently of the AfCFTA and the benefits it is going to bring to Africa's trade.

Among other benefits, the AfCFTA seeks to integrate Africa into a $2.5 trillion market through trade across Africa's 107 unique land borders. Africa's industrial exports are envisaged to promote the continent's long-overdue industrialization goal. The United Nations Economic Commission for Africa (UNECA) forecasts that the AfCFTA will increase intra-African exports of

industrial products by 25-30 per cent (or $36-43 billion) and increase agricultural exports by 20-35 per cent (or $10-17 billion). AfCFTA is also envisaged to reduce trade costs through trade facilitation resulting in business expansion and foreign direct investment. Through tariff reduction, the AfCFTA will make it more affordable for informal traders to engage in their operations.

By merely looking at some of the AfCFTA's objectives, it is apparent that most of them can only be realised through engagement with Customs administrations. Africa's 107 unique land borders are all manned by Customs officials; exports and imports are controlled by Customs; and Customs processes determine the profitability of business ventures and investment as they have a direct effect on trade costs. Thus, Customs administrations are part of the drivers of the AfCFTA. Therefore, it is paramount to ensure that Africa's Customs administrations are adequately equipped to deal with trade under this new regime efficiently. But how aware are Customs officials in Africa on the relevant the provisions of the AfCFTA and their role in contributing to its success?

Low levels of awareness of AfCFTA provisions by Customs officials

A lot of detail has been published on the AfCFTA's broader benefits with many countries and businesses expecting to see specific results once they start trading under the new regime. However, the same cannot be said of the specific measures that Customs administrations need to enforce to meet the AfCFTA's operational requirements. One may wonder why this is the case with all the awareness programmes that have been rolled out by the AU and various strategic partners.

Looking at the general African situation, it seems there is much focus on the private sector and not much on Customs officials' awareness. Although private sector plays a critical role in the success of the AfCFTA, Customs is equally important. According to the AU Commissioner for Trade and Industry, the success of the AfCFTA depends in part on how well African governments are able to track and remove non-tariff barriers (NTBS). Customs administration play a significant role in administering trade facilitation measures aimed at reducing and eliminating NTBs. If Customs officials lack awareness of relevant AfCFTA measures, their ignorance will act as a NTB by making the border

clearance process cumbersome and costly. Time will be spent with officers trying to understand what goods are subject to preferential treatment and what form of preferential treatment is to be administered at ports of entry. A study carried out by Martincus, Carballo, and Graziano to measure the effects of Customs-related delays on firms' exports from Uruguay for the period 2002–11, suggested that a 10% increase in Customs delays results in a 4% decline in exports.

In Africa, most of the awareness workshops that have included Customs administrations seem to have targeted highly-ranked Customs officials. For instance, a meeting organized by the African Union Commission (AUC) that focused on developing a draft continental guideline to operationalize free trade under the AfCFTA regime, was attended by Customs Chiefs in Africa. The issue with such an approach is that it does not strategically target the relevant officials who are best placed to contribute to the guidelines and implementation strategy. Most Customs Chiefs/ heads of Customs are not involved in the day-to-day border operation processes and designing implementational strategies. Such heads are mostly involved in the final review and approval process. At the same time, it remains questionable whether such heads would be able to effectively disseminate the awareness gained from such workshops to the relevant lower-level officials.

In Kenya, government officials, trade economists, university lecturers, development partners, youth and women' representatives attended the review of the country's draft AfCFTA implementation strategy. This leaves one wondering when the Customs officials will be trained. The same can be said for Zimbabwe where the business organisations are at the forefront of the national AfCFTA agenda.

This situation can be detrimental to Africa's trade agenda. Studies reveal that the underutilisation of some trade agreements may have been due to Customs officials lack of knowledge resulting in frustration of trade. For instance, a study carried out by Li Li to examine the impact of the ASEAN-China Free Trade Area (ACFTA) on regional trade facilitation, revealed that Customs officials lacked proficiency regarding origin implementation and administration resulting in underutilisation of preference concessions. The researcher further recommended training of Customs officials, particularly field-based officials

responsible for origin certificate verification and physical inspection as well as the establishment of an independent department for Free Trade Agreements (FTA) experts in order to ensure competent FTA implementation. Chiumya looked at challenges that Regional Trade Agreements (RTAs) in Africa presented to Customs administration and areas Customs administrations need to concentrate their policies and strategies on. The researcher notes that RTAs have tremendous effects on the duties, and responsibilities of Customs thus the need to come up with training programmes for both institutional and human resource efficiency and being in tandem with new trading arrangements such as the AfCFTA.

In Zimbabwe, the situation reveals that for starters, most Customs officials have not been actively made aware or involved in the implementation of regional trade agreements like SADC and COMESA, which may have led to underutilisation of these protocols. With the introduction of the AfCFTA, there is a high risk that AfCFTA commitments are going to be implemented in a fashion no different from the other RTAs, resulting in underutilisation due to ignorance. Chances are high that local Customs officials, who still possess low levels of awareness will frustrate trade under the new regime. It is thus important to address problems that result in lack of awareness by Customs officials in order to reap the benefits of the AfCFTA.

A snap survey of ZIMRA Customs officials reveals that most of them lack knowledge of what the AfCFTA is about and how it will affect Customs operations. According to findings of the snap survey, the Zimbabwe's Customs administration's operational guidelines inadvertently promotes specialisation. This means that unless a Customs officer is rotated from one workstation to another, there is no incentive for one to know more than what is required in their workstation. The Customs officer is appraised and rewarded according to their performance of a particular task. The challenge comes when the officer is moved to a section where they will be expected to know a cocktail of activities in order to be able to assess and collect correct tariffs and grant the appropriate concessional tariffs.

Another reason cited for the low awareness levels was that there has not been much training on a AfCFTA by the Customs administration's training centre which usually spearheads similar trainings. This may be due to the COVID-19

situation which has affected some of the organisation’s operations. However, with commencement of trade under AfCFTA there is urgent need for Customs officials to keep abreast with the continental developments which have a bearing on their operations.

Some Customs officials were indifferent about being informed and uninformed on the AfCFTA, citing that it did not affect them directly. They noted that if they were confronted with work that involved application of the AfCFTA’s tariffs or other requirements, they would refer such cases to their superiors who they expect to be more knowledgeable than them. This seems to confirm that the awareness training and information sessions attended by higher level officials are rarely cascaded to lower-level officials, and some of the border delays in enforcing preferential arrangements are a result of border officials seeking instructions from their superiors.

What can be done to improve awareness levels?

The importance of trade facilitation in any regional trade agreement cannot be downplayed. Most of the AfCFTA’s economic benefits will be derived from trade facilitation measures that reduce bureaucracy, simplify Customs procedures, and integrate Africa into global supply chains. Most of AfCFTA’s economic benefits will be derived from trade facilitation measures, and as such requires minimal border delays.

For the AfCFTA to be fully-utilised, there is need for capacity building programs that enhance the abilities of both the institutional system and human resources that work with the system to be on a par with the new trading arrangements. There is need for Zimbabwe Customs administration and other across Africa to make training on AfCFTA mandatory for all levels of the Customs division.

There is need for Customs administrations in Africa to evolve from gate-keeping role and enforcement of policies on behalf of other government departments, to being active contributors in the policy-making initiatives. Customs officials involved in manning ports of entry should be involved in assessing the practicality of certain trade measures like Rules of Origin as well as making contribution on how best to enforce the regional trade arrangements. This could involve the relevant trade Ministers involved in the regional negotiations consulting with Customs administrations on the best approach to design the

measures that would directly require Customs enforcement.

View online: Low Levels of Customs Officials' Awareness: A Recipe for Underutilization of AfCFTA

Provided by Afronomicslaw