



## The Keys to Unlocking Africa The critical role of Logistics in fulfilling a continent's potential

### State of Play

It is no secret that Africa is the next untapped market which is destined to enter a new age of commerce and development. As the world's second-largest and second-most-populous continent, the questions stands as to how to ensure that such potential is fulfilled. To answer, one needs only to look at recent negotiations which have hit the African Union table. Their focus lies on trade and logistics.

With logistics coming into focus, ***FIATA and its 23 national association network representing the interest of over 1300 members across Africa, have put forth a coordinated position which stresses three main points, the need for holistic policy formulation by AU members, the gains from regional bodies coordinating implementation and the importance of a separate track for private sector input. FIATA and its Associations stand ready to contribute at both the international and local level at every stage of the discussion and implementation phase of regional trade policy.***

But the question stands, why is logistics and trade in scope? The bulk of Africa's trade is with UK, Europe, America and Asia: only 12% is with other African countries<sup>1</sup>, according to research in 2013 by Ecobank, a Togo-based bank. By comparison 60% of Europe's trade happens within the continent. The same is true in Asia and in North America the figure is 40%.<sup>2</sup> One cannot expect much more growth in these developed regions, however in Africa this low figure can only be expected to increase. Many of Africa's countries are landlocked (16 of 54 to be exact) therefore whatever crosses its internal borders will likely be on its way to or from other continents, with considerable costs in transporting goods also within Africa. According to the World Bank Doing Business Index, getting a container across the Congo River costs almost \$4,500 USD, and the total can top \$10,000 once the cost of inland transportation is added. By contrast, moving an identical container with the same cargo from Malaysia to Singapore costs less than \$1,000.<sup>3</sup>

It would be simple for African States to blame the problem on lack of infrastructure and merely focus on securing investment to improve transport solutions. The World Bank estimates \$93 billion per year over the next decade would be needed to fulfill the infrastructure gaps on the continent. At the moment, African governments spend \$45 billion dollars of which 1/3 are donors and private sector.<sup>4</sup> At this rate, it would take over 20 years of consistent investments to fill all the infrastructure gaps.

But what if the issue is not only insufficient investment, but also insufficient policy and ineffective implementation? Policy is just an idea without the right implementation. ***FIATA's suggestion to Member States wanting to formulate and implement transport policy is to focus on private sector business association partnerships and regional cooperation with other states and trading blocs (e.g. the tripartite approach).*** In Southern African States for example, where the focus has been tariff policy, the Southern African Development Community (SADC) achieved what is called the SADC Free Trade Area in August 2008 through a phased programme of tariff reductions that had commenced in 2001 resulting in the attainment of minimum conditions for the Free Trade Area: 85% of intra-regional trade

<sup>1</sup>Ecobank 2013 statistics - <http://www2.ecobank.com/upload/20131007100538337894G3jtuE82AC.pdf>

<sup>2</sup> <https://secure.ecobank.com/upload/20131007100538337894G3jtuE82AC.pdf>

<sup>3</sup> <http://www.doingbusiness.org/data/exploretopics/trading-across-borders>

<sup>4</sup> African Development Bank Handbook on Statistics -

[http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/AfDB%20Infrastructure\\_web.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/AfDB%20Infrastructure_web.pdf)

amongst the partner states attained zero duty.<sup>5</sup> Without such regional body coordinating the implementation of policy, such tariff barriers would have taken much longer to remove.

Another great example is the strong partnership body emerging in the East. The East Africa Community (EAC) is a vastly developing trade block, with extensive and interlinked intra-regional trade flows. In addition to African trading hubs emerging in Kenya, Tanzania, Ethiopia and Uganda, the EAC Member States are fine tuning modalities of setting up a single customs regime established in 2012, which will enhance trade facilitation. Heads of revenue authorities from Burundi, Kenya, Tanzania, Rwanda and Uganda met in Nairobi in August 2015 to harmonize policies and legislative frameworks to fast-track the establishment of a single customs territory (SCT). The East African Community (EAC) has also facilitated commerce by advocating for easing movement of EA Passport holders within member countries. The African Development Bank's Visa Openness report 2016 highlights that on average Africans need visas to travel to 55% of other African countries and can only get visas on arrival in 25% of the those countries.<sup>6</sup> In March 2016, the EAC launched a new regional passport, in circulation from January 2017, which will be fully digitised and incorporate biometric security, making it fully compliant with international best practise, and therefore accepted at border controls all over the world.<sup>7</sup>

Then there is West Africa and Central Africa which are viewed as two of the less integrated regions in terms of intra-African trade. Encompassing Nigeria, labelled as Africa's biggest economy,<sup>8</sup> and other heavily populous countries such as Ghana (27 Million) Côte d'Ivoire (21 Million) and Senegal (15 Million), this region has immense potential with a rapidly growing trade sector.<sup>9</sup> The region is represented by the Economic Community of West African States (ECOWAS) and Economic Community of Central African States (ECCAS) which aims to satisfy the needs of least developed countries (LDCs), developing countries, Small Island developing states and land locked developing countries. Having to represent such a diverse mix of states has presented its challenges however, advances are already being made with a Trans-ECOWAS project, established in 2007, planned to upgrade railways in this area again with a focus on regional cooperation.<sup>10</sup>

### **Regional Cooperation and Private Sector Logistics**

In Africa, regional cooperation is critical to formulating and implementing trade policy that will cut red tape and enhance inter-regional trade flows. In line with this principle, FIATA had established and long benefited from the existence of a dedicated body in the Region Africa Middle East (RAME) to work with states from the bottom up advocating for greater facilitation in moving goods across the continent. When discussing regional matters, RAME, encompassing 23 National Associations and representing a large share of local private sector interest, can act as a liaison to the eight Regional Economic Communities (RECs) understanding the need for cooperative measures in policy implementation.

One particular example of excellent regional cooperation was displayed last year (2015) when the Common Market for Eastern and Southern Africa (COMESA), EAC, SADC signed the Tripartite Free Trade Area (TFTA) covering 26 countries, over 625 million people and a combined GDP currently estimated at around USD\$1.2trn.<sup>11</sup> The agreement aims to liberalise 100% of tariff lines, challenge non-tariff barriers (NTBs), and set out criteria and conditions for goods to qualify for preferential rules

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<sup>5</sup> <http://www.sadc.int/about-sadc/integration-milestones/free-trade-area/>

<sup>6</sup> [http://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Africa\\_Visa\\_Openness\\_Report\\_2016.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Africa_Visa_Openness_Report_2016.pdf)

<sup>7</sup> [http://www.eac.int/commonmarket/index.php?option=com\\_content&view=article&id=87&Itemid=137](http://www.eac.int/commonmarket/index.php?option=com_content&view=article&id=87&Itemid=137)

<sup>8</sup> <http://www.economist.com/news/leaders/21600685-nigerias-suddenly-supersized-economy-indeed-wonder-so-are-its-still-huge>

<sup>9</sup> <http://countrymeters.info/en/Ghana>

<sup>10</sup> <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/RISP%20for%20West%20Africa%20-%20REV%202.pdf>

<sup>11</sup> <http://www.ictsd.org/bridges-news/bridges-africa/news/the-tripartite-free-trade-area-agreement-a-milestone-for-africa%E2%80%99s>

of origin. Similarly, in line with the results achieved by the East Africa's passport facilitation, ***FIATA calls for harmonised facilitation to allow friendlier, faster and prompter processing of goods through the borders of all African countries. With private sector input, FIATA calls for solutions in realising one system across all continental countries to eradicate delays, bottle-necks and additional costs caused by backlog and outdated procedure.***

In particular, FIATA would like to see more regional collaboration in the African aviation industry. FIATA has taken the [position](#) to support the implementation of ICAO's Yamoussoukro Decision and the Lomé Declarations, which require a cooperative effort from all regional bodies to insert key elements of the aviation agreement into their regional agreements, such as the CFTA<sup>12</sup>. The result would be a more liberalised air industry across Africa. The African logistics market is ripening like a juicy mango fruit, ready to be picked from the tree. Private sector logistics through nationally established FIATA Association Members and a strong regional body such as RAME uniting them stand ready to play their role in contributing to the successful implementation.

The crowning of the TFTA created the bridge into negotiations for a 54 state Continental Free Trade Area (CFTA) aimed at creating a single market for goods and services in Africa covering a GDP of over US\$3 trillion. With the aim to have a deal struck by 2017, ***FIATA emphasises its focus on regional bodies such as the RECs and private sector involvement through RAME at every step of the discussion phases all the way through to implementation. FIATA therefore calls for a track specially created for private sector logistics and RECs to contribute to the discussions early in the process to facilitate the implementation of these agreements.***

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## **About FIATA**

FIATA, the International Federation of Freight Forwarders Associations, was founded in Vienna, Austria on May 31st 1926. It is a non-governmental organisation that today represents an industry covering approximately 40,000 forwarding and logistics firms, employing around 10 million people in some 160 countries. FIATA has consultative status with the Economic and Social Council (ECOSOC) of the United Nations (inter alia ECE, ESCAP, ESCWA, etc.), the United Nations Conference on Trade and Development (UNCTAD), and the UN Commission on International Trade Law (UNCITRAL) as well as many other UN related bodies, e.g. the World Bank. It is recognised as representing the freight forwarding industry by many other governmental organisations, governmental authorities, private international organisations in the field of transport and logistics, such as the European Commission (through CLECAT), the International Chamber of Commerce (ICC), the International Air Transport Association (IATA), the International Union of Railways (UIC), the International Road Transport Union (IRU), the World Customs Organization (WCO), the World Trade Organization (WTO), etc. For further information, please go to: [www.fiata.com](http://www.fiata.com)

Glattbrugg, 17 May 2016

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<sup>12</sup> <http://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1005>