

STATE OF THE EVIDENCE: CROSS-BORDER AGRICULTURAL TRADE

INTRODUCTION

Increasing cross-border agricultural trade is essential to achieving key development goals under the US Feed the Future initiative, including economic growth, improved farmer income, and the increased resilience of rural communities. Cross-border trade allows for the movement of food from surplus to deficit areas, reduces volatility in food prices, and supports poverty reduction. According to the World Bank, a 1 percent growth in Gross Domestic Product from agriculture increases the expenditures of the three poorest deciles by at least 2.5 times as much as 1 percent growth from the rest of the economy.¹

The Enabling Agricultural Trade (EAT) project has undertaken extensive analysis of countries' enabling environment for agricultural trade, i.e. the system of government policies, laws, regulations, and institutions that govern the cross-border movement of agricultural goods. These studies repeatedly found that weaknesses in trade facilitation, including slow customs processing, inefficient ports, and poor physical infrastructure, create costly obstacles to achieving agricultural development goals.

This paper incorporates findings and lessons learned from EAT's work on the enabling environment for cross-border agricultural trade with recent evidence from research institutions, international organizations, and think tanks to evaluate the state of the evidence on the enabling environment for cross-border agricultural trade. The following sections explore the documented costs of various legal, regulatory, and institutional challenges to cross-border trade and provide evidence for the effectiveness of reforms.

EVALUATING THE EVIDENCE

International trade flows have increased dramatically over the last three decades. World merchandise exports grew by over 2.5 percent between 2003 and 2013 from \$7,380 billion to 18,301.² In real terms, the value of international food and agriculture flows has increased fivefold over the past 50 years.³ Yet as trade flows have increased, the trading environment has become increasingly complex. Border agencies must comply with an expanding array of free trade agreements, often with conflicting terms.⁴ Variations in rules of origin, food safety standards, and sanitary and phytosanitary measures further strain the capacity of customs and other border agencies, which highlights the need for effective trade facilitation measures. Studies show that exporters in developing countries gain more from a 10 percent reduction in their trading costs than from a similar reduction in the tariffs applied to their products in global markets.⁵ Similarly, a 1 percent reduction in global trade costs could increase worldwide income by over \$40 billion.⁶

¹ World Bank, World Development Report 2008.

{https://openknowledge.worldbank.org/bitstream/handle/10986/5990/9780821368077_ch01.pdf}

² World Trade Organization, International Trade Statistics 2014, List of Tables.

{https://www.wto.org/english/res_e/statis_e/its2014_e/its14_world_trade_dev_e.pdf}

³ FAO Statistical Yearbook 2013, World Food and Agriculture, Rome, 2013.

{<http://www.fao.org/docrep/018/i3107e/i3107e.PDF>}

⁴ Luksuskas, A., R.M. Stern, & G. Zanini, eds., *Handbook of Trade Policy for Development*, Oxford University Press (2013).

⁵ Chandra, A. and V. Pareek, "Regulatory Barriers to Micro, Small and Medium Enterprises," Centre for Civil Society (2014).
{<http://ccs.in/sites/default/files/research/regulatory-barriers-to-msme.pdf>}

⁶ USAID, "USAID Supports Trade Facilitation" Infographic (May 15, 2014). {http://pdf.usaid.gov/pdf_docs/PBAAA308.pdf}

Trade facilitation measures, such as reasonable document requirements, streamlined customs procedures, efficient port operations, and adequate infrastructure, all contribute to lower costs and reduced delays for exporters and importers and are critical to realizing the benefits of open trade. With good trade facilitation, importers and exporters can reliably predict shipment and delivery times, keep shipping costs competitive, and respond quickly to consumer markets around the world. Expedited border processing is particularly important for the agricultural sector, where goods are often perishable, and for small and medium-sized businesses who have tighter margins and less capacity to withstand costly delays. Facilitating the flow of goods and services across borders not only gives traders access to more lucrative export markets but also enables the influx of new technologies, products, and practices needed to meet global standards.

Weaknesses in trade facilitation also correlate to higher levels of informal trade, increases in fraudulent products, and greater health risks. For example, in Mali, a high degree of informal trade was attributed in part to the inability of the government to enforce grades and standards. In Liberia, due to infighting between border agencies and an unclear division of responsibility between the Ministries of Agriculture and Commerce and the Quarantine service, an estimated 80-90 percent of all agricultural imports enter the country without a permit or inspection.⁷

EAT studies found that overlapping jurisdictional authority, multiple permit requirements, corruption, low staff capacity, and weak IT infrastructure all contribute to weaknesses in trade facilitation. Out-of-date customs codes create complex or redundant formalities that delay clearance, and customs staff may lack the competence to perform necessary functions. Delays due to backlogged labs with poor equipment and reduced staff directly affect the time it takes to move agricultural goods across borders and often result in product loss and longer wait times for buyers.

These capacity constraints lead to inefficiency at the border and create trade bottlenecks that raise costs to trade agricultural goods. According to EAT's study of cross-border trade of agricultural inputs in Vietnam, fertilizer consignments entering northern or southern ports must be left at the port until customs can verify product quality. Due to port bottlenecks, companies face demurrage charges of \$50 per container per day for about seven days, which in turn raises the price of fertilizer products.⁸ One study in the *Journal of Development Economics* found that for the average country, port inefficiencies increase shipping costs at a rate equivalent to transporting the product from a location 60 percent further away from the destination market. By improving port efficiency, shipping costs fall 12 percent, and reductions in country inefficiencies associated to transport costs from the 25th-75th percentiles imply an increase in bilateral trade of 25 percent.⁹

Experience gleaned from assignments across the globe over the course of the EAT project revealed that harmonization and modernization of operating procedures, information technology and transportation infrastructure, cross ministerial coordination and the implementation of a single window system are key for border agencies to improve performance. The following sections explore these common strategies for trade facilitation reform, challenges to their implementation, and evidence of their impact on cross-border trade.

Modernizing operating procedures and IT infrastructure for customs

A customs agency should facilitate the free flow of international trade; collect duties and taxes; and secure national borders from the flow of illegal goods and unsafe products. Customs agents review

⁷ USAID-EAT project, AgCLIR Liberia (2014).

⁸ USAID-EAT project, Assessment of the Enabling Environment for Cross-Border Trade of Agricultural Inputs: Thailand, Vietnam, and Cambodia (2014).

⁹ Clark, X., D. Dollar, & A. Micco, "Port Efficiency, Maritime Transport Costs and Bilateral Trade," *Journal of Development Economics*, Vol. 75, Issue 2 (December 2004).

shipment documentation, conduct physical inspections of goods, collect revenue, and gather and disseminate trade data. Customs agencies must strike a balance between control and trade facilitation. Yet all too often, these agencies lack the competence and management capacity to function effectively. According to the World Bank, customs agencies are often responsible for up to one-third of regulatory delays.¹⁰

Effective customs agencies share common features, including shifts toward automation; risk management; simplified and streamlined procedures; and improved physical and information technology (IT) infrastructure to facilitate trade.¹¹ Governments must update customs codes to include risk management practices so as to remove overly complex or duplicative procedures that delay clearance. Reform efforts should entail a compliance improvement strategy and post-clearance audits.¹²

Key characteristics of effective trade management include institutional factors such as high levels of transparency and accountability, low levels of corruption, and high institutional capacity to comply with international best practices. Adopting procedures that provide little discretion to border staff with built-in accountability mechanisms reduce the opportunity for corruption. Investing in staff capacity building and recruitment systems coupled with sufficient allocation of funds builds a higher quality, long-term career service better equipped to manage agricultural trade.

Establishing a single window system

Achieving trade facilitation goals requires a comprehensive approach to reform and modernization that goes beyond the customs department to ensure other border management agencies (e.g. agriculture, health, quarantine, standards, and other entities involved in the regulation of trade) streamline and coordinate their systems and procedures. In many countries, reforms targeting customs agencies have already instituted IT systems to process declarations and use some form of risk management for shipment inspections. However, many other border management agencies have simply not modernized to the same extent.¹³ Undeveloped IT systems create a disconnect with modern business practices for agricultural goods, which increases the cost of doing business and undermines health and safety audits and inspections. In Kenya, the process of exporting staple grains through formal channels takes an average of 57 days, primarily because of unpredictable berthing delays and customs backlogs at the port. Nearly half of the time to export tends to be spent clearing the goods through customs, a process overseen by eight or more regulatory bodies.¹⁴

Following this logic, economies are increasingly attempting to link traders and agencies involved in trade and transport through an electronic single window system.¹⁵ According to the World Bank, 73 economies around the world have implemented single window systems of varying complexity, and an increasing number of developing economies are interested in introducing similar systems.¹⁶ The

¹⁰ See <http://blogs.worldbank.org/trade/single-window-systems-what-we-have-learned>.

¹¹ Gordhan, P., "Customs in the 21st Century," *World Customs Journal*, Volume 1, Number 1 (2007).

¹² UNCTAD, "Post-Clearance Audit," UNCTAD Trust Fund for Trade Facilitation Negotiations, Technical Note 5 (January 2011). http://unctad.org/en/docs/TN05_PostClearanceAudit.pdf

¹³ Mclinden, G., "Single Window Systems: What We Have Learned," *The Trade Post: Making International Trade Work for Development* (April 30, 2013). <http://blogs.worldbank.org/trade/single-window-systems-what-we-have-learned>

¹⁴ USAID-EAT project, AGRI Final Report (2015).

¹⁵ A single window system "is a countrywide facility that provides for all parties (regulatory agencies and the trading community) to submit standardized information only once, at a single entry point, to fulfill all import, export, and transit-related regulatory requirements." Koh, J., "Ten Years of Single Window Implementation: Lessons Learned for the Future," Global Trade Facilitation Conference Discussion Paper (2011).

¹⁶ World Bank, *Doing Business, Trading Across Borders: Good Practices*. Accessed April 9, 2015. <http://www.doingbusiness.org/data/exploretopics/trading-across-borders/good-practices>

Netherlands employs a single window system called CLIENT, which removed 80 percent of the data points that exporters must provide and substantially improved the speed at which trade can occur.¹⁷ The Korea Customs Service estimates that the introduction of its single window system brought US \$18 million in benefits in 2010, and a single window linking customs, government ministries, and tax and social security authorities in El Salvador reduced the required documents to two.¹⁸ In Mauritius, availability of the single window system on a 24 hour, 7-days-a-week basis (instead of normal business hours only) more effectively lends itself to the global nature of business across time zones.¹⁹ Industry representatives in Mauritius contribute up-to-date information on industry trends and issues that affect shipment processing and enforcement.

According to the World Customs Organization (WCO), effective customs modernization processes begin with initial diagnostic work to identify the weaknesses and limitations of the existing system, delineate a reform strategy, drum up stakeholder support, and consider the country's implementation capacity.²⁰ Introducing a single window at the national level challenges the conventional compartmentalized approach to regulatory control over cross-border trade, indicating that a single window must overcome technical, institutional, and political challenges.²¹ Moreover, where cross-ministerial coordination is weak, introducing a single window may simply highlight these existing communication challenges (see box, "Preconditions to the Establishment of a Single Window System"). To ensure cross-ministerial coordination and overall management of the system, the government of Senegal created an autonomous entity to develop and operate their single window.²² To promote the single window facility in Malaysia, the government first developed a success story to demonstrate benefits of the system to voluntary users, followed by education and awareness-building initiatives. The most crucial success factor in Mauritius was commitment from all stakeholders and implementation in phases, which allowed the project to be more manageable and acceptable by users.²³

Technology solutions enhance efficiency but at a significant expense. Depending on function and form, total implementation costs for single window systems range from less than \$1 million (Guatemala) to between \$1-4 million (Finland, Senegal, Malaysia).²⁴ Thus financial planning for the up-front costs, maintenance, upgrading, and financing plans is necessary for the decision-making process. Singapore

¹⁷ USAID-EAT project, AGRI Final Report (2015).

¹⁸ World Bank, *Doing Business, Trading Across Borders: Good Practices*. Accessed April 9, 2015. {<http://www.doingbusiness.org/data/exploretopics/trading-across-borders/good-practices>}

¹⁹ United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT), *Case Studies on Implementing a Single Window* (2005). {http://www.unece.org/fileadmin/DAM/cefact/single_window/draft_160905.pdf}

²⁰ World Bank, *Customs Modernization Handbook* (2005). For project level operational guidance, see United National Economic and Social Commission for Asia and the Pacific, "Single Window Planning and Implementation Guide" (2013). {http://www.unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE-404_SingleWindow.pdf}

²¹ Not all players in trade community support the implementation of a single window. Opposition may come from within the government or the private sector. For example, reforms in Madagascar met reluctance from the customs agency, which had a vested interest in existing arrangements, as well as from the private sector, which felt that customs was too inefficient and corrupt to implement such an advanced and ambitious effort. Fjeldsted, K., "Case study on trade reform in Madagascar" (2009).

²² For further information on Senegal and other countries' single window reform experiences, see United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT), *Case Studies on Implementing a Single Window* (2005). {http://www.unece.org/fileadmin/DAM/cefact/single_window/draft_160905.pdf}. See also Crown Agents, "Dominican Republic Single Window for External Trade Project: Product I Report Annex: Single Window Case Studies" (2012). {https://www.aduanas.gob.do/vuce/files/documentacion/productos-entregables/Product%20I-Annex-Feb-2012_EN.pdf}

²³ Ibid.

²⁴ Ibid.

designed its single window system, TradeNet®, to use revenue generated by the system to fund its operation, maintenance, regulatory enhancements, and technology upgrades.²⁵

Preconditions to the Establishment of a Single Window System

An effective single window system that leverages technology can improve the transparency, efficiency, and security of cross-border trade. However, single windows are not simple to set up and many face customization and implementation constraints that slow or stall progress. The single window concept emerged as a response to the fast-paced, dynamic international trade environment and advancements in information technology. Yet information and communication technology solutions must be appropriate to the country's operating environment, resource base, telecommunications infrastructure, and development ambitions.¹

The WCO worked with the Asia-Pacific Economic Cooperation on a survey to provide a snapshot of single window implementation that could assist customs administrations to better understand the challenges and opportunities in developing and improving these systems.² According to the data provided by the 58 countries that participated, the key factors that hinder the establishment of an electronic linkage by other government agencies with customs clearance system include: lack of information and communication technology; budget and human resource constraints; inadequate legal framework; and difficulties in cross-ministerial coordination.

Despite the lack of a singular approach to single windows, a number of overarching, essential preconditions need to be in place to launch a single window program at the national level:³

- A business case based on a thorough assessment of capabilities, challenges, and risks.
- An explicit mandate from government, supported by unwavering political will.
- Stakeholder engagement, outreach, and awareness building efforts toward government and industry (to gain broad consensus and buy in).
- Clear agreement on governance structures, including identification of the lead agency and clear roles and responsibilities for all key stakeholders.
- Stakeholder agreement on at least one visible, high-level champion of the single window.
- A practical roadmap with key milestones matched by appropriate human and financial resource.
- Financial planning from the outset to ensure the system will have sufficient funding to support design, implementation, maintenance, and upgrades.

Effective formal and informal cross-ministerial coordination is particularly important to the success of a single window. Rather than correcting for communication lapses, a single window simply concentrates these issues in one place, thus undermining the effectiveness of the system and the purpose for which it was created. A single window should be viewed as an end point in a process of improving trade facilitation capacity across the government, not a quick fix where true commitment to reform is lacking.⁴

¹ World Bank, Customs Modernization Handbook, (2005).

{http://siteresources.worldbank.org/INTEXPCOMNET/Resources/Customs_Modernization_Handbook.pdf}

² Choi, J.Y., "A Survey of Single Window Implementation," WCO Research Paper No. 17, World Customs Organization (August 2011).

{http://www.wcoomd.org/en/topics/research/activities-and-programmes/~/_media/2DF5A36D3ECA46CCB7B17BDF77ACC021.ashx}

³ Ibid.

⁴ Koh (2011).

Furthermore, the single window system is being embraced at the regional level, creating the need for individual country systems to take account of existing regional systems and how they can be incorporated in the most cost-effective way. The Association of Southeast Asian Nations (ASEAN) has set an ambitious goal of establishing an ASEAN single window by 2015 as the platform for electronic trade in the ASEAN region to significantly reduce transaction costs.²⁶ A similar effort is underway in

²⁵ Ibid.

²⁶ The Royal Malaysian Customs Department, "ASEAN Single Window, The ASEAN Connectivity Towards ASEAN Economic Community," (April 2013). {http://www.wcoomd.org/en/events/event-history/2013/asia-and-the-pacific-and-the-americas/~/_media/2A822B9C97BA4C879A3C3878ABE48345.ashx}. A few of the challenges to the ASW include: securing a

West Africa to create a network of single windows at five ports along the trade route from Abidjan to Lagos.²⁷ As globalization continues and more countries try to connect with the systems of other countries and regions, national single windows and their compatibility with other systems will be a firm indicator of the ease at which harmonization can take place.

Investing in infrastructure beyond the border

Competitiveness in cross-border trade can encounter obstacles before the actual border. Deficiencies in the physical infrastructure, including inadequate storage facilities, poor road conditions, unreliable electricity, and inadequate market information systems all lower the competitiveness of agricultural products. A World Bank study found that each day in transit for perishable goods, including vegetables and fruit, is equivalent to lowering the price of the product by 0.9 percent.²⁸ These challenges can be particularly detrimental to women, who have fewer assets, less ability to travel, and are more likely to take informal trade routes.²⁹

In Kenya, infrastructure shortcomings, mainly in energy and transport, account for an estimated 30 percent productivity loss by Kenyan firms. Interviews with traders and exporters noted that the main logistical issues include the high costs of fuel and maintenance of trucking services; delays at weigh bridges and ports; lack of professionalism in the logistics sector; weak cargo tracking capacity; and empty backhaul due to the intraregional export and import imbalance.³⁰ Similarly, in Rwanda, coffee producers require an average of 42 days to reach an export port due to poor road conditions and customs delays, which greatly contrasts with Colombia, where producers require only 14 days. This difference in transport time is equivalent to a 36 percent tariff on Rwandan exports.³¹

In West Africa, checkpoints along major transit routes add significant costs and delays. The Improved Road Transport Governance Initiative recorded an average of 1.8-3.2 checkpoints for every 100 kilometers of roads in West Africa.³² Each checkpoint required a payment of \$3-23 and lasted 8-29 minutes for the transporter, meaning that an average trip faces up to seven hours of delays and \$200 in formal or informal payments. A regional EAT study recorded 14 checkpoints along the 200 kilometer stretch between Accra and Aflao.³³

While infrastructure projects are some of the most capital-intensive,³⁴ these projects can greatly affect trade volumes, incomes, and agricultural growth. For example, one study estimated that reducing inland

sustainable source of revenue and a budget to manage expenditures; securing regional and national single window (NSW) legal frameworks, which is complex; and implementing the NSW prior to ASW implementation, which consists of many sub-challenges among the 10 ASEAN member states.

²⁷ For additional information on single window implementation efforts in West Africa, see Chambers, V., M. Foresti, and D. Harris, "Final Report: Political Economy of Regionalism in West Africa: Scoping Study and Prioritisation," Overseas Development Institute (2012).

²⁸ USAID, Calculating Tariff Equivalents for Time in Trade (2007).
{http://www.nathaninc.com/sites/default/files/Calculating_Tariff_Equivalents_for_Time_in_Trade.pdf}

²⁹ USAID-EAT project, "Women and Cross-Border Agricultural Trade," Policy Brief No. 4 (2012).

³⁰ USAID-KHCP, Snapshot of the Agribusiness Enabling Environment: Kenya (2014).

³¹ USITC, "Sub-Saharan Africa: Effects of Infrastructure on Conditions on Export Competitiveness," Third Annual Report (2009).

³² Improved Road Transport Governance Initiative, "15th IRTG Report: UEMOA" (2011).
{<http://www.borderlesswa.com/sites/default/files/15th%20IRTG%20Report%20110630.pdf>}

³³ USAID-EAT project, West Africa Regional Trade Study (2011).

³⁴ An informal review of road projects by the Millennium Challenge Corporation in Benin, Tanzania, Mozambique, Honduras, Georgia, and the Philippines revealed costs ranging from approximately US \$100-375 million per project over five years.
{www.mcc.gov}

travel times by one day would lead to an average increase in exports of 7 percent across all Sub-Saharan African countries, equivalent to a 1.5 percent decrease in import tariffs.³⁵ A 2004 World Bank study found that the strength of a country's infrastructure assets is positively correlated with economic growth and increased income equality.³⁶ In addition, transportation investments, if conducted in an inclusive manner, can boost the incomes of the most vulnerable traders. For example, by incorporating gender-related indicators and women traders in the design of transportation infrastructure, the Peru Rural Roads project increased women's mobility and safety on trade routes, thereby generating increased income opportunities for 43 percent of women surveyed.³⁷

Addressing the implementation gap in harmonization efforts

Harmonization of controls, inspections, and testing protocols can bring large benefits in cost reduction, simplification, and predictability if customs and other agencies can implement them effectively. For example, the Organisation for Economic Co-operation and Development estimates that a country that fully implements the WTO Trade Facilitation Agreement (TFA) (an international agreement that seeks to simplify, harmonize, and make transparent the procedures to collect and process information required for the movement of goods in international trade)³⁸ could reduce total trade cost by 14 percent in low-income countries and 15 percent in middle-income countries.³⁹

Nonetheless, an implementation gap frequently plagues regional harmonization efforts: high-level political commitment at the regional level does not translate into tangible improvements on the ground at the national level. EAT project studies on regional trade as well as domestic-level assessments of the institutional architecture for policymaking for agriculture and food security revealed the following three common causes of the implementation gap.

Insufficient investment in the capacity of line ministries. While substantial government and donor time and money is often put into drafting and adopting a regional agreement, too little attention and resources are directed to improving the capacity of line ministries to implement the new provisions. Line ministries in many developing countries face budgetary and human resource constraints and lack expertise in program management, planning, and performance monitoring. In Senegal, for example, underfunded food safety agencies lack the capacity to meet modern sanitary and phytosanitary (SPS) requirements. As a result of budgetary constraints, some border inspection posts do not have customs offices, while others lack electricity and equipment.⁴⁰ Similarly, in Mozambique, the inability of the government to implement phytosanitary controls results in major crop losses to pest damage and limited access to potentially large export markets, including South Africa.⁴¹

This lack of capacity building efforts can be particularly detrimental where border agencies are struggling to implement multiple regional and/or international agreements. For example, the East African Community and the Common Market for Eastern and Southern Africa (COMESA) have overlapping membership yet different customs requirements. In Ghana and Mali, lack of full implementation of the

³⁵ Freund, C. and N. Rocha, "What Constrains Africa's Exports?," World Bank Policy Research Working Paper 5184, (2010). {<https://openknowledge.worldbank.org/bitstream/handle/10986/19862/WPS5184.pdf?sequence=1>}

³⁶ Calderón, C. and L. Servén, "The Effects of Infrastructure Development on Growth and Income Distribution," World Bank Policy Research Working Paper 3400 (2004).

³⁷ USAID-EAT project, "Women and Cross-Border Agricultural Trade," Policy Brief No. 4 (2012).

³⁸ World Trade Organization, Agreement on Trade Facilitation, WT/L/931 (July 15, 2014). {https://www.wto.org/english/thewto_e/minist_e/mc9_e/desci36_e.htm}

³⁹ USAID, "USAID Supports Trade Facilitation," Infographic (May 15, 2014). {http://pdf.usaid.gov/pdf_docs/PBAAA308.pdf}

⁴⁰ USAID, AgCLIR Senegal (2009).

⁴¹ USAID, AgCLIR Mozambique (2011).

Economic Community of West African States regional seed agreement has created confusion for traders and border officials as to which rules they should apply.⁴²

Improving the implementation of harmonized agricultural standards and customs procedures across countries requires targeted capacity building. The WTO has established the Trade Facilitation Agreement Facility to assist developing and least-developed countries in implementing the TFA. COMESA is supporting the implementation of harmonized SPS measures throughout the region through regional trainings on the principle of equivalence to facilitate trade and sampling and testing protocols.⁴³

Failure to empower secretariats. Effective domestic implementation of regional agreements necessitates a strong coordinating body. However, these entities are often under-resourced and lack sufficient authority to hold implementing bodies and line ministries to account. For example, in Guatemala, the Secretariat of Food Security and Nutrition is responsible for monitoring and coordinating the implementation of food security policy, yet has few resources and little legal or political power for enforcement.⁴⁴ In South Asia, stakeholders widely viewed the secretariat of the South Asian Association of Regional Countries as a rubber stamp on actions of member countries.⁴⁵ A comparison of two technical working groups in Cambodia revealed the importance of financial and political support to ensuring effectiveness of the group's activities.⁴⁶

Mistaking a “seat at the table” for meaningful participation. Giving the private sector and civil society a seat at the table during the policymaking process is not enough; these groups must also have the capacity to collect and organize member viewpoints and to develop and communicate a policy position. A study of cross-border trade in South Asia found mistrust between the public and private sectors in Nepal inhibits effective policymaking, and the private sector lacks the ability to influence trade decisions.⁴⁷

Meeting the Malabo Commitments

Targeted capacity building to improve fundamental trade-related functions will be critical for realizing the goals of the Malabo declaration, a multilateral commitment to accelerate agricultural growth and transformation in Africa. Specifically, the signatories have committed to tripling intra-African trade in agricultural commodities and services and implementing a continental free trade area with a common external tariff. Achieving these goals will require joint efforts from governments, private sector, civil society, and international organizations to strengthen trade facilitation capacity throughout the continent. The USAID regional trade hubs in West, East, and Southern Africa can play a strong role in supporting customs reform and modernization, food production and security, trade facilitation, and WTO compliance efforts in line with the Malabo commitments.

Sources: NEPAD, CAADP: Implementation Strategy and Roadmap to Achieve the 2025 Vision on CAADP (2014); USAID, South Africa Trade Hub, About the Trade Hub. Accessed 3/30/2015. {<http://www.satradehub.org/>}

RECOMMENDATIONS FOR FUTURE RESEARCH

Utilizing findings from the work of the EAT project along with recent findings and conclusions from leading authorities in the field of agricultural trade, including the World Bank, WCO, and others, this

⁴² USAID-EAT project, AGRI Final Report (2015).

⁴³ Nsofu, B., “COMESA SPS capacity strengthening programme: ‘The Status’,” presentation to the VETGOV/PANSPSO Steering Committee Meeting, Lusaka (November 21-22, 2012).

⁴⁴ USAID-EAT project, Institutional Architecture for Food Security Policy Change: Guatemala (2014).

⁴⁵ USAID-EAT project, Regional Trade in Seed, Fertilizer, and Strategic Grains: A Review of the Legal, Regulatory, and Institutional Constraints to Growth across South Asia (2014).

⁴⁶ USAID-EAT project, Institutional Architecture for Food Security Policy Change: Cross-Country Study (2015).

⁴⁷ USAID-EAT project, Regional Trade in Seed, Fertilizer, and Strategic Grains: A Review of the Legal, Regulatory, and Institutional Constraints to Growth across South Asia (2014).

brief has sought to explore evidence of the impact of common trade facilitation reforms on cross-border agricultural trade and serve as a reference document and guide for further research in this area. Specifically, the evidence points to the following findings as potential areas for future research and reform efforts:

Institutional capacity building is critical to the effectiveness of reforms. Studies repeatedly showed that high-level investments in infrastructure and engagement in regulatory harmonization efforts at the regional level have little lasting effect without sufficient attention to the capacity of domestic institutions for implementation, management, and maintenance of these investments. For example, each of the customs modernization reform areas discussed in this brief requires substantial government investment and commitment over time, a level of effort that has proven elusive in most of the countries studied. Further research is needed to better document the preconditions for success, such as those defined above for single window systems, as well as political economy factors that inhibit effective implementation.

The unpredictability of government policy and procedure significantly hampers investment. Uncertainty in the trading environment (due to institutional capacity constraints and corruption, among other factors) in some cases matters more to traders than high costs or restrictive policies. Regardless of the restrictions, delays, and costs associated with cross-border trade, traders most commonly cited the unpredictability of government policy and procedure as one of the most difficult hindrances to business. For example, in Jordan, exporters reported that ad hoc export bans on tomatoes and cucumbers in the name of food security disrupted their ability to satisfy supply contracts for European buyers, thus making it more difficult to attract foreign investment. By contrast, importers widely supported regular seasonal import duties or bans on tomatoes as a fair measure for supporting local farmers. The Ministry of Agriculture in Jordan clearly and transparently communicated the parameters of the import restrictions, thus giving traders time to adequately plan. Alternatively, in Cambodia, although companies experience the fastest clearance times, lowest costs, and fewest required procedures for the import of agricultural inputs relative to Thailand and Vietnam; this data masks an unpredictable informal system that traders overwhelmingly cited as the biggest hindrance to business operations, outweighing the cost benefits.⁴⁸

CONCLUSION

Reducing the cost of cross-border agricultural trade can contribute to large gains in economic growth and poverty reduction. Achieving these benefits requires taking stock of the most effective methods of trade facilitation and applying lessons learned from other developing country contexts to future reform efforts. EAT studies have demonstrated that under the right circumstances, countries reap strong returns from modernizing border procedures through IT infrastructure and single window systems, investments in transportation infrastructure beyond the border, and institutional capacity building to address the implementation gap in harmonization efforts.

⁴⁸ USAID-EAT project, Assessment of the Enabling Environment for Cross-Border Trade of Agricultural Inputs: Thailand, Vietnam, and Cambodia (2014).