Ministry of Foreign Affairs

Trade facilitation and regional trade

Fewer barriers, more trade

Photo TMEA

In many developing countries, while the economy is growing, regional trade is stagnating. Failure to exploit the potential for regional trade costs billions of dollars every year. More regional trade is good for producers and food security, and it leads to more professional farming practices. The Netherlands therefore supports initiatives that promote regional trade.

African governments are aiming to triple their internal trade by 2025. At just 12%, the level of intraregional trade is very low (in the Asean countries it is 25%, and in the European Union it is as high as 65%). Poor infrastructure makes it difficult to get products to local and regional markets, and a job further away from home is simply impossible for many Africans. Even if there is a reasonable infrastructure, there are also logistical obstacles such as the lack of refrigerated transport or slow customs procedures.

Benefits

International trade is a driver of economic growth and development, and vital in the fight against poverty. More intraregional trade in Africa, for example, would have a number of benefits.

- Trade within regions is a more efficient way of getting food to consumers.
- Companies – including large companies like Unilever and Heineken – are more interested in investing in a bigger market.
- Trade strengthens regional political cooperation, which in turn strengthens economic ties.
- Regional trade thus contributes to stability, a key aim of both the Netherlands and the EU's regional partnerships.

Kenya: cost of processing containers halved

Regional integration is a matter of political will and practical implementation. This is the key principle of TradeMark East Africa (TMEA), which acts as a broker and intermediary between stakeholders like governments, industry and donors. TMEA aims to achieve better access to regional markets, an improved climate for trade and better product quality and prices. The organisation is working on clearer customs regulations and the merging of customs authorities on either side of national borders (one-stop border posts). Women traders are being familiarised with customs procedures. The Netherlands has been a major TMEA donor for many years.

Increase in the value of exports

The programme is successful. For instance, the time it takes to import goods into Kenya has been reduced from 11 to six days (the average in Africa is 34 days). The time needed to transport a container from the port city of Mombasa to Kigali in Rwanda has been cut by 16 days. Transaction costs have been halved, from 800 to 400 dollars per container. This has all contributed to a 10% increase in the value of exports between the six participating countries. Intraregional trade has even grown by 25%. In view of the success of TMEA, the Netherlands is helping to develop a similar programme for West Africa.

Access to the European market

Access to international markets is often a step too far for SMEs in developing countries. Companies are unfamiliar with these markets, and have difficulty complying with stringent market access requirements and high quality standards. The Netherlands Enterprise Agency's CBI programme helps exporters in developing countries gain a foothold on the European and global markets. They receive support in the form of coaching, training and market expertise. The CBI also works with the International Trade Centre to give SMEs better access to other markets.

Photo CBI

By helping to dismantle trade barriers and ensuring production and supply chains work better the Netherlands also helps to create jobs and achieve greater food security, as more efficient markets provide a bigger supply of food. Building trade capacity, investments in infrastructure (including agricultural infrastructure) and logistics, access to market and trade information (such as how to comply with product standards, and rules of origin and certification), quicker customs procedures and capacity building for market institutions are also essential if market opportunities are to be expanded.

Reducing food loss

The Netherlands has always been good in logistics. That is why we launched a programme at the World Bank to improve logistics chains in developing countries. Regional and international trade can grow when barriers are removed and supply chains operate more effectively. Take the transportation of fruit and vegetables. According to the FAO a third of all food produced globally is lost. In some supply chains, the proportion is as high as 50%. The Postharvest Network helps tackle local supply chain problems by investing in hygiene, refrigeration, storage and transport. This is good for Africa, and good for Dutch industry. The Netherlands has a lot of know-how when it comes to perishable agricultural products, too.

Free trade agreements

Removing barriers to international trade through bilateral and multilateral free trade agreements is important for producers in low- and middle-income countries. That is why the Netherlands endorses a new WTO agreement and signs bilateral trade agreements. The Netherlands Enterprise Agency (RVO.nl) and the Dutch embassies help companies in developing countries find business partners in the European or global markets and market their products. It also supports capacity building at chambers of commerce, land registries and customs services.

World Bank helps reduce trade costs

Many developing countries still benefit too little from the opportunities created by globalisation. One important obstacle is the high cost of transactions. That is why the World Bank, with the support of the Netherlands, developed a programme to make countries more competitive by helping to reduce their trade costs. The Trade Facilitation Facility helps develop transit corridors and other regional initiatives, for example.

Photo TMEA

'We work with partner countries to help SMEs in particular get their products to market more quickly and cheaply, either in their own country or across the border.'

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