

**Title: The effects of Non-Tariff Barriers on trade: The case of COMESA**

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## Executive Summary

The study aims to examine the effects of Non-Tariff Barriers (NTBs) on trade; the case of Common Market for Eastern and Southern Africa (COMESA). In the regional agreements, the earliest concern was a reduction of tariff. However, the NTBs become a major threat for trade more than tariff these days (Olayiwola, 2020). There were a total of 612 cases of NTBs reported in 2018. Furthermore, the trade data shows in 2019, intra-export in COMESA stood at 10%. The study used a gravity model and a fixed effect method and considered 19 member states of COMESA. The panel data were collected for a period of 2015 to 2020 by taking a new methodology introduced by World Bank that consider the cost and time required for document compliance and border compliance for export and import. The study result shows that cost and time required for document compliance has statistically significant effect on trade flow of export and import negatively. Finally, it is recommended the implementation of One Stop Border Post and using advanced technology highly foster trade.

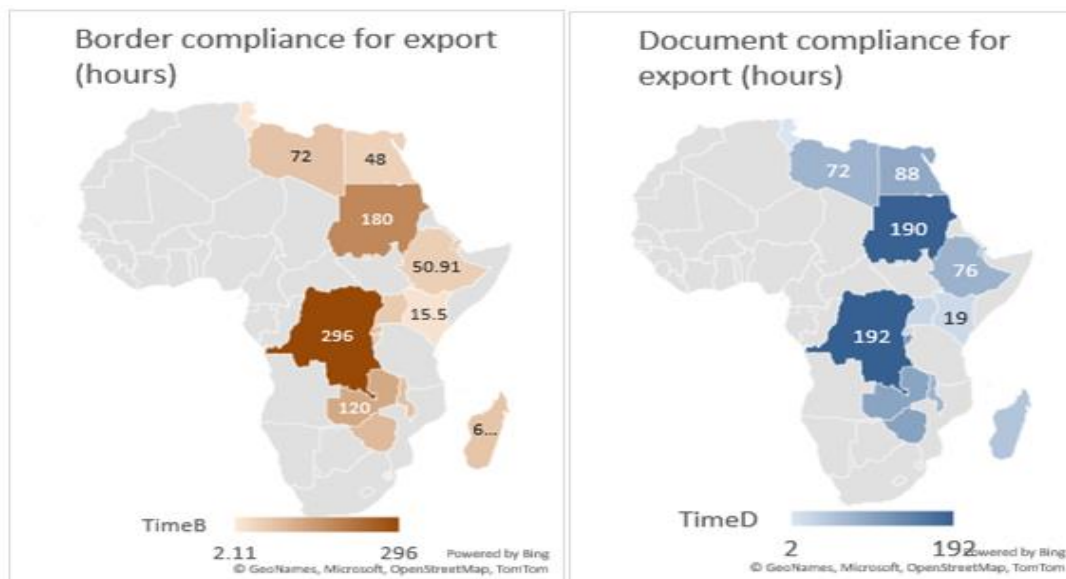
## Key Findings

The key findings from the descriptive analysis the cost of document compliance and border compliance to export in 2015 is same as in 2020 for most of the countries. The hours taken for export as shown in figure 1, has different range with minimum of 2 hours and 296 hours for border compliance and 192 hours for document compliance. The time required during import to spend for the compliance at the border and document comparing 2015 and 2020 data shows that there is no change seen for some of the countries.

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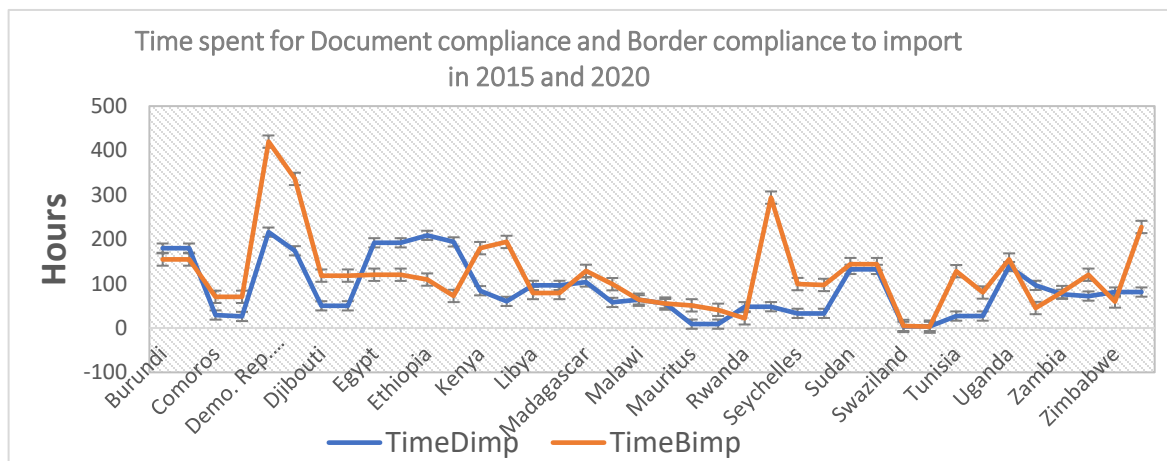
1st of February, 2023

**Figure 1. Hours taken for Export in 2020**



Source; Author computation from World Bank data (2022)

**Figure 2. Hours spent to Import (Compliance of Border and Document)**



Source; Author computation from World Bank data (2022)

Furthermore, the regression result or findings shows that when the time for document compliance increases by 10%, the export in COMESA decreases by 3.5%. The coefficient for the distance between member states shows a positive and significant effect on export even though the expected sign was negative and it is same with the finding from (Ouma, 2016) that shows some of the countries in EAC are positively affected by the variable distance. The cost of document compliance is significant and has a negative effect on export while the cost of border compliance has a positive and significant effect on the export. The increase on the cost of document compliance by 10% result a decrease on the export by 10.1%, this has been found on (Karugia, et al., 2009) that shows custom clearance has highest cost on the export of maize. The paper find out that when the cost of document compliance increased by 10%, COMESA's import decreases by 4.1%.

## Context of Problem

The data from the tripartite reporting mechanism shows that the number of NTBs reported in 2018 were a total of 612 cases of under NTBs. Some of the problems were solved but some are not solved in the period of study. In addition, the COMESA intra-trade is very low and decreasing. As the report shows there was 10% of intra-export in 2019 in COMESA and decreased from 2016 which was 11%..

## Scientific approach/ methodology

The Augmented Gravity model and the bilateral fixed effect method were used. The model is borrowed from (Toševska-Trpčevska & Tevdovski, 2014) and adopted considering the new methodology of World Bank since 2015. The data was a Panel data from a secondary source. The researcher used a bilateral fixed effect method based on the Hausman Test result. The source of data is obtained from World Integrated Trade Solution (WITS), Commodity and trade data base (COMTRADE), World Bank Development Indicators (WDI) for trading across border and CEPII for distance.

**New knowledge  
and/or  
added value**

This paper adds a new knowledge regarding the effect of NTBs on export and import with the new methodology used by World Bank. Furthermore, a new knowledge of NTBs will give a focus area to countries for their trade facilitation implementation. Countries will opt where should be the focus regarding the cost and time for document compliance and border compliance.

**Policy Options/  
Recommendations**

The member states of COMESA should adopt trade facilitation agreement fully and implement to eliminate Non-Tariff Barriers. Essentially, it can solve the problem related to informal cross-border trade in the region as well as in the continent.

Time spent for compliance of document and at border has to be taken seriously into consideration. Therefore, it is highly recommended to use simplified and harmonized advanced technological system for compliance of the document.

Finally, One Stop Border Post (OSBP) would be helpful for countries in COMESA to reduce the cost for compliance at border and time for document compliance which highly contribute to foster trade flow than establishing different custom border for each of the countries. Besides, the distance in COMESA has no negative effect and partners are trading each other even in the longest distance amongst them. Therefore, the OSBP implementation would facilitate the trade in transit.

## Keywords

Trade facilitation	Non-tariff Barriers	Document compliance	Border Compliance	Export	Fixed effect	Cost and Time
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## Further Reading

Karugia, J., Wanjiku, J., Jonathan, N., Sika, G., Eric, M., Stella, M., Ade, F., Michael, W., & Simeon, K., 2009. *The Impact of Non-tariff Barriers on Maize and Beef Trade in East Africa*. International Food Policy Research Institute, Issue 29. Working Papers

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1<sup>st</sup> of February, 2023

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Toševska-Trpčevska, K. & Tevdovski, D., 2014. "Measuring the Effects of Customs and Administrative Procedures on Trade: Gravity Model for South-Eastern Europe" *Croatian Economic Survey*. 10.15179/ces.16.1.4.10.15179/ces.16.1.4., Issue 16 (1), pp. 109-127

## About the Author(s)



An Author is a graduate of Master of Science in International Trade Policy and Trade Law from Lund University and TRAPCA Alumni. He is indeed interested on the area of trade facilitation and regional integration. Additionally, he has extensive working experience in the government owned financial sector at Development Bank of Ethiopia. He believes that the Financial sector is one of the tools rise to facilitate trade and he argues Trade facilitation should be implemented and gets concern in every institution to foster trade.



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