

## **THE FREIGHT FORWARDER AND TRADE FACILITATION**

Capt William Kwasi Amanhyia

Currently as a result of the world Trade Organizations trade liberalization initiatives the world economy is anticipated to undergo a tremendous transformation, that is expected to generate opportunities for developing nations to expand and strengthen their economies. The extent to which developing nations can capitalize on this emerging wave will however depend largely on their level of preparedness.

Ghana occupies a coveted place in logistics within the sub-region. Our airport and seaports are well known in the region and with the Government's focus now on land transportation, our railways and Roads will also soon be put in the same category. The logistics infrastructure we have built, and our strategic location, also make us ideal as a regional warehousing and distribution hub. In addition the development of the three land corridors linking us with our land-locked neighbors and the setting up of several tax-free zones and inland freight stations can further strengthen our role as a regional economic and logistics hub.

Ghana therefore has the capability especially talent wise to effectively trade on the world market. What is needed now is the institutional will to bring our international trade support system abreast with the rest of the worlds'.

Ghana's ability to be an effective regional hub will however, depend on its capability to plus well into the regional and international trade network. This ability which depends largely on the level of a country's Trade facilitation has now become the new economic order for emerging nations. Trade facilitation refers to the streamlining of institutional and administrative processes that support trading activities, namely:

- Transportation of Goods
- Procedures and documentation associated with the movement of Goods.
- Customs formalities and other statutory documentation
- Banking and Insurance.

Trade stimulates economic activity, provides employment and creates wealth which is needed to run an economy, so trade is of vital importance to both the Government and private sectors. The objectives of Trade facilitation are therefore.

1. To reduce administrative costs of external trade control activities, and consequently the marketing price of imported and exported goods through simplification and rationalization of customs import and export clearance procedures.
2. To provide Government with the tools to bring about a more effective and efficient application of trade regulations and therefore of applicable tariffs.
3. To establish an information system for the control and monitoring of trade through the provision of accurate and timely statistics for the industry.

However, in Ghana, as a result of the failure of our institutions, regulations and practices to keep pace with changes in logistic technology. we are now paying the price in terms of additional transportation costs. In the face of Global competition and consumer demand, as well as rapid technological progress in logistic operations we are now being forced to consider and operate our system in a way that can enable us to plug effectively and efficiently into the Global Trade Network.

As a frontline sector in a country's logistics infrastructure, Freight Forwarders are in the best position to usually foresee and detect the impact of any new legislation or changes on a country's logistics chain, and in this context the Ghana Institute of Freight Forwarders would like to make the following observations.

- That customs constitute the proverbial eye in the needle, or the central link through which all the country's external trade passes. Customs is therefore the critical link in a long chain, receiving information from importers, forwarders, transport operators, regulatory agencies, banks and insurance companies and processing this information in the course of pre-clearance, verification and valuation, and receiving revenue in the process and forwarding aggregated trade Data to the Central Statistical Agency. The effectiveness of Ghana's Trade facilitation is therefore directly dependent on the speed with which customs can process information, and which now means electronically.

Unfortunately despite the length of time the GCNet has been in existence, the bulk of information passing between the various sectors are still in hard copies necessitating numerous manual operator data input much of which is usually a duplication of information already in the system.

Much of the reluctance to change is due to the fact that because the greater part of the country's revenue is derived from duties, customs has a mandate to ensure maximization of revenue collection which often conflicts with efforts at facilitating movement of cargo. In addition because importers and exporters are not well represented in the country, there is little continuing pressure on customs to expedite trade.

There is therefore a need now for a comprehensive national strategy to focus on the requirements of the nations trading community. The strategy needs to be jointly developed by all sectors involved in the nation's external trade, so that a clear understanding of the objective; to deliver the goods on time, and at a competitive cost, is achieved.

Shippers have an objective; To process their trade documentation as fast as possible, in order to maximize capital usage. Freight Forwarders have an objective also; their revenue depends on the volume and the pace of business carried out by shippers, while customs objective is the maximization of revenue, which entails improvement of the Revenue generation base. All these three objectives have goal congruency. Customs can therefore impress on shippers the need to provide accurate and adequate information which will enable fast processing with less verification for authenticity. In this way the shipper gets his documents processed faster, is able to maximize the use

of his capital and increase the volume of his business. The freight forwarder gets increased revenue, while customs also get to maximize revenue because of improved revenue base.

Unfortunately Customs like all other uniformed services in the country favors the big stick approach much of which often is targeted at the wrong sector and therefore does not eliminate the root cause to reduce or eliminate their future occurrence.

There is also a need now for a genuine importers and exporters representation. In other parts of the World it goes by diverse names. Shippers Association, Shippers Council and so on and so forth. It is usually a body set up and funded by shippers themselves. It lobbies the Government on the initiation of policies for enhancing the countries trade and draws Governments attention to legislation which impacts negatively on their operations. More importantly it is usually the body which negotiates freight rates with carriers in accordance with provisions enshrined in the various international conventions such as the UNCTAD liner code and the various Anti – trust immunity provisions set up to regulate conferences. The absence or ineffectiveness of such a body in the country has resulted in freight rates into the region being among the highest in the world and consequently contributing to the high cost of goods in the country.

Further the Institutional perceptions of the port sector need to change. Contrary to prevailing opinion in the country the primary purpose of the ports in our type of system is not revenue generation. It is rather the secondary activities connected with port operations which generate revenue in the form of job and service creation for the port catchment area. Instead the ports are primarily there to serve Trade. The Ports essentially serve as logistic platforms, doors or portals through which pass the nations vital waterborne commerce.

However to maintain the huge infrastructure the ports need to service the nation's trade, they rely on revenue from port users. Therefore anything which impacts negatively on port users ability to contribute to this revenue stream is detrimental to our national economy. Such detriments include

- Low productivity
- Inordinate documentation
- Delays occasioned by regulations, custom and practices of the port
- Inefficient communication
- bureaucratic procedures and misplaced priorities

For example a 50% reduction in cargo dwell times in port as a result of changes in documentation and clearance procedures has the effect of doubling sustainable throughputs without a corresponding expenditure on infrastructure, and may also be more economic and less disruptive to achieve.

Therefore because of the importance of external trade to our national economy, there is now a need for a comprehensive national strategy to focus on the requirements of the trading community. Such a strategy needs to be jointly developed by all sectors concerned, the Government, Regulatory Agencies, Shippers, Forwarders, stevedores, Port Operators, Carriers, Bankers and Insurance Companies so that a clear understanding of the objective: TO DELIVER THE GOODS ON TIME AT A COMPETITIVE COST is achieved.

To this end the Ghana Institute of Freight Forwarders in its capacity as a professional body for the Freight Forwarding sector in the country intends to set up an impact assessment committee which will carry out regular environment scan of the industry to assess the impact of new legislation and changes on the logistics infrastructure. It will then recommend appropriate measures to mitigate or reduce the impact. GIFF will be inviting representatives from concerned sectors on this project and will report its findings regularly to CEPA.

In concluding I would like to point out that achievement of the ultimate objective of Trade facilitation will not be easy. It will require a National purpose and will to overcome resistance to change, to cut through the bureaucracy, Red Tape and procedures handed down from our colonial masters and built upon up till now. It will require education of many people in the regulatory agencies and trading sectors to give them the knowledge, understanding and confidence in the use of modern technology. It will also require training of people in all sectors of the industry to enable them integrate their tasks to smooth and expedite the flow of freight. More trade moving at a faster pace generates more income.

The spin off will be highly beneficial to our economy in the form of higher productivity. Part of this productivity improvement for example can come from improved procedures which turn ports into what they ought to be - an interchange point between sea and land movement of freight.

Thank you.