
Q1: Respondent details

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Q2: Country or Customs Territory COMOROS

Q3: Organization Public sector

Q4: Title of case story

Unofficial report on trade facilitation in the Comoros

Q5: Case story focus

Trade Facilitation Agreement implementation and/or trade facilitation measures more generally (e.g. trade and transport facilitation).

Q6: Case story abstract

I outline:

- an overview of trade facilitation
- the processes involved in ratifications and notifications
- the political environment of the Comoros
- support in place for trade facilitation in the Union of the Comoros

Q7: Funding partner Multilateral organization

Q8: Project/Programme type Single country

Q9: Your text case story

The project began as an unofficial exercise for NTP interns. I have drawn on the Union of the Comoros regional integration projects involving COMESA and the Comoros DTIS document.

Q10: Lessons learnt

- Simplify and expedite import and export procedures;
- Reduce import and export costs;
- Strengthen inter-island relations and coordination;
- Increase transparency, including through publication of information and the establishment of enquiry points;
- The Comoros is concerned that tax receipts on imports may fall by 10%, severely affecting the country's room for manoeuvre or "policy space" to the detriment of the development of its local production capacity.

ABDOUL EL KARIM MOHAMED NTP 2016 COMOROS/WTO

UNOFFICIAL REPORT ON TRADE FACILITATION UNION OF THE COMOROS

OVERVIEW

The purpose of this paper is to outline general aspects of trade facilitation that form an integral part of trade policy as a wealth-generating activity underpinned by the WTO as the regulatory body for international trade relations that improves the living standards of populations, including in the LDCs. In the Comoros in particular and in Africa generally, the role of government in economic development is more heavily reliant than ever on available resources, the adoption of appropriate strategies and policies, and on a country's human potential. The principles applied in order to achieve these objectives reflect the situation facing the LDCs, including the Comoros.

When it comes to reciprocity, the Economic Partnership Agreements (EPAs) are consistent with Annex D of the Doha Development Agenda. The developing countries and the least developed countries should enjoy a high degree of flexibility in order to safeguard their objectives of developing fledgling industries, and should fulfil obligations consistently only if those obligations are in keeping with their resource capacity and their most pressing development needs. Cooperation with the developed countries is essential in helping to achieve these objectives (see Part IV of the GATT essentially in connection with best endeavour, and Article IV of the GATS, which is not applied in practice).

Thus, enhanced provisions on special and differential treatment (S&D), sector-specific concerns and the S&D monitoring mechanism could help us Africans to contribute to economic development, provided we receive help to examine ways of making them more effective and putting them to the best use while at the same time improving information flows (ATFF + transition period and economic policy coherence). For the LDCs, S&D should be seen here in the context of their RIGHT to economic development, and where the monitoring mechanism is concerned, the role of the CTD in implementation and in producing results should ultimately incorporate integrated skills in the evaluation of provisions and the adoption of recommendations with a view to improving the way they are used.

Another of the WTO's important functions is to serve as a market access framework for export growth and diversification. The developed countries often block or restrict exports from the developing countries. In response, appropriate S&D is required to enable us to participate profitably in the multilateral trading system and to help us deal with specific concerns. This is one of the reasons for addressing trade facilitation in the WTO: the dismantling of tariff barriers and ensuring market access are areas where other organizations have no enforcement powers.

AGREEMENT ON TRADE FACILITATION: RATIFICATION AND NOTIFICATION PROCESSES

The Comoros is prepared to notify the Foreign Trade Memorandum to the WTO and to sign the EPA, with due regard for variable geometry, the safeguard clause, S&D, and the development matrix, in keeping with Annex D.

Trade facilitation

Trade facilitation is particularly important for the Union of the Comoros. Although defined as the simplification and harmonization of procedures and formalities relating to imports and exports, trade facilitation is more specifically concerned with expediting the movement and clearance of goods by customs. The bottlenecks encountered throughout the trading process point to a need for technical assistance as follows:

- support to develop the legal framework;
- provision of technical experts (to make best possible use of ASYCUDA ++ for International Ship and Port Facility Security (ISPS) regulations);
- equipment;

- training (lawyers specializing in trade; Customs: senior managers, employees with a public-facing role, freight forwarders, Ministry responsible for trade);

- awareness-raising among civil society and Parliament.

POLITICAL ENVIRONMENT

(a) National environment

The adoption of the TFA will be beneficial to the Comoros. Because of its insularity, the country must address a whole number of challenges associated with cross-border trade, all of which also involve trade facilitation. Inefficient customs practices and complex international trade procedures pointlessly increase the time and cost of transactions while significantly reducing the likelihood of successful integration in global value chains. With a view to lessening these constraints, the Comoros has set out to become compliant with international standards, taking account of the implementation of the Revised Kyoto Convention on customs procedures. Accordingly, the Comorian customs administration has made a start on introducing the necessary reforms and upgrading all national legal and regulatory instruments that will underpin the shift to a 21st century customs administration. Although the Comoros is not yet a Member of the WTO, implementation of the Trade Facilitation Agreement (TFA) should benefit it on several counts. The application of measures to reduce the cost and the time spent on customs procedures will facilitate the country's access to and its economic integration in regional and international markets. The Agreement also provides for measures on special and differential treatment for developing and least developed countries that will link their commitments to the technical assistance in capacity building that they receive. The Comoros should take advantage of this opportunity. Recent minor but inadequate improvements. The World Bank *Doing Business 2015* report ranks the Comoros 144th out of 189 economies for trading across borders. Despite the fact that the Comoros is below average for sub-Saharan Africa (142nd), the country performs better than the bulk of its partners in the Common Market for Eastern and Southern Africa (COMESA). However, the country's ranking is unchanged from 2013 and there has been no significant indicator movement since 2009. Exporting a standard container of goods requires nine documents, twice the number of the best performer in the region (Mauritius, with four documents). The time taken for export has not changed since 2006 (31 days). The cost of exporting (including document fees, administrative fees for clearance and technical control, customs brokerage fees, fees for handling at terminals and land transport) have risen slightly over the past ten years (US\$1,295). However that cost is still much lower than the average for sub-Saharan Africa, where the average cost is almost double that of the Comoros. Importing an identical container of goods requires eight documents, twice the number of the best performer overall. Over the last ten years the time required for import has fallen in sub-Saharan Africa whereas in the Comoros it has remained stable at 24 days. Where import costs are concerned, the Comoros fares better: costs are 50% of those for sub-Saharan Africa (US\$2,930). Comorian customs should expedite the modernization process. Although the improvements following implementation of ASYCUDA++ have helped to reduce clearance times, the central departments in the Directorate-General of Customs still use paper documents for goods clearance purposes and do not have access to ASYCUDA++. Moreover, the Comorian Customs Code, dated 1992, does not include the computerized or electronic procedures currently used to draw up goods clearance documents. Additionally, Comorian customs have not yet followed the COMESA recommendation to modernize ASYCUDA++ by migrating to the latest version of the system, ASYCUDA World, although this is listed among the priority areas for Comorian customs modernization.

(b) Regional environment

The DTIS 2007 recommended that the Union of the Comoros should use exposure to regional and international markets as both a tool for economic development and a solution to the country's insularity. The Comoros has embarked on a partnership-based integration strategy with the African continent, the Arab world and Asia. Although they have always existed to varying degrees, these partnerships now take the form of trade agreements that facilitate market access through preferential tariff regimes. Since acceding to the COMESA free trade zone in 2006, the Comoros has increased the pace of the country's regional liberalization strategy by signing several trade agreements. The Comoros has also pursued an active bilateral approach that exploits their good

relations with several of their world partners – whether in the form of historic, diplomatic or cultural ties, and has also taken advantage of any GSP regimes and the emergence of the BRICS.

Multilateral negotiations on trade liberalization within the WTO and the predominant position of trade flows with developed countries in the Comoros' trade structure have not only boosted existing ties with subregional trading partners but have also created new partnerships that support diversification of trade opportunities.

Capitalize upon many regional options. COMESA is a regional integration body that connects the Comoros to the driving economic and trading force of East Africa and Southern Africa with the potential to reach over 400 million consumers. In 2006 the Union of the Comoros ratified the COMESA free trade area (FTA) treaty which establishes duty-free access for all goods imported from COMESA member countries. COMESA is the first economic and trade integration area joined by the Comoros and the country should do all it can to ensure its successful integration. Membership is a tool for building production capabilities: the country can import highly processed goods and provide itself with a means of integrating in the wider market by exporting more of them. The establishment of the FTA entailed measures to offset the foregone income from customs revenues that made a substantial contribution to the State budget and, therefore, to the operation of public services. However, the quantity of revenue foregone is small, reflecting the fact that Comorian rates are lower than the common external tariff (CET), chiefly for intermediate products. The Comoros has applied to become a member of the Southern African Development Community (SADC). The chief advantage of future accession to the SADC is that it includes South Africa, the leading country in the region and one which, through its know-how, technology and investment, could help to jump-start the Comoros. However, accession would entail compliance with various regulations, including the cost of hefty member contributions and integration in a monetary union planned for 2016, even though the Comoros is unwilling in the short term to renounce either membership of the CFA zone (Communauté Financière Africaine) or the French Treasury's guarantee of parity between the Comorian franc and the euro. The objective of the COMESA/EAC/SADC Tripartite FTA is to establish a regional trade area and, more broadly, a continental free trade area. The Tripartite arrangement seeks to streamline African countries' membership of several regional groupings: the way things stand very often leads to inconsistent, conflicting trade policies, as is the case for the Comoros. Each body of national law would have to adopt the CET as the tariff within that economic area. Therefore, as a member of COMESA, the Comoros would enjoy access on that basis to the markets of the EAC (East African Community) and SADC member States. The Indian Ocean Commission (IOC) is intended to be a regional cooperation body for the islands in the western Indian Ocean. The IOC is not a regulated trade area. Intra-regional trade within the IOC is very low. This is due to poor infrastructure between the IOC States, particularly in terms of maritime and air transport. The Comoros has been a member of the Arab League since 1993. The Arab League is very active in terms of investment in the Comoros. In March 2010, supported by the Arab League and the Islamic Conference, the Government of Qatar hosted a conference on development and investment in the Comoros that produced financial pledges to the value of US\$540 million (although it is difficult to know the precise amounts actually disbursed). The Arab League countries have signed a trade agreement, the GAFTA (Greater Arab Free Trade Area), which entered into force in January 1998. The Comoros is not party to that agreement, but the country nonetheless enjoys preferential treatment as a result of its membership of the Arab League.

OVERVIEW OF SUPPORT FOR TRADE FACILITATION

(a) National

The Union of the Comoros is a net importer of fast-moving consumer goods and services and has little by way of an export production base. The establishment of trade facilitation reforms to expedite the movement, release and clearance of goods will have a direct impact on the country's human, economic and social development. Trade facilitation will enable the Comoros to benefit from greater transparency in administration, greater confidence, and greater cooperation between the public and private sectors, better governance, better use of public resources, and a rise in tax receipts, among others. In short, trade facilitation helps to improve the living standards of the population. Priority actions. The Comorian Government will have to focus on the following aspects:

- simplifying and expediting import and export procedures;

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- reducing import and export costs;
 - strengthening inter-island relations and coordination;
 - increasing transparency, including through publication of information and the establishment of enquiry points;
 - capacity building for customs officers and trade operators;
 - building transport infrastructure (roads, ports and airports);
 - establishing a framework where all stakeholders are involved in formulating trade facilitation policy and regulations;
 - providing the traders concerned with protection against customs decisions or omissions that are not fully in conformity with the laws and regulations in force;
 - establishing measures on fees, taxes and the imposition of fair, transparent, impartial penalties;
 - modernizing customs (migration to ASYCUDA World).

(b) Regional

The Comoros benefits from many trade preferences:

| Country | Year | Brief description |
|--|-----------|---|
| Canada | 2003 | DFQF* excluding dairy products, chicken and eggs. |
| China | 2010 | Zero tariff applied to 4,788 tariff lines (60%), to be extended in future to 97%. |
| European Union | 2001 | The EBA Initiative provides DFQF access to all products from LDCs except arms and munitions. |
| India | 2008 | Duty-free access for 85% of all tariff lines at HS 6-digit level. |
| Japan | 2007 | DFQF access to 8,859 tariff lines (equivalent to 98% of tariff lines), covering over 99% of imports by value. |
| Korea | 2000 | DFQF access extended to 95% of all tariff lines in 2010. |
| United States – Least Developed Beneficiary Developing Countries (LDBDC) | 1976-2010 | 3,451 products eligible for duty-free access under the GSP; 1,430 additional products for LDBDCs. |
| United States – AGOA | 2000 | 1,835 products from African countries selected for duty-free treatment on the US market. |

*DFQF: Duty-Free/Quota-Free.

Source: Bridges, Sam Laird (2012).

The European Union has a partnership framework with the Comoros. As an LDC, the country qualifies for the preferential GSP regime. It is also eligible for the Everything But Arms (EBA) Initiative. Consequently, Comorian exports to the European Union are duty free, and the country's imports from the EU are likewise duty free. The Comoros is also negotiating the signature of an interim EPA. EPAs are the product of the Lomé Convention that afforded non-reciprocal, duty-free access to goods from ACP countries to the European Union (non-reciprocal preferences). The dilemma is whether to emphasize the economic or the political aspects. Participation in other regional integration bodies must be considered, analysed and better understood. Initialling a document will not in and of itself overcome structural constraints or make investment happen. "Conflicting" involvement in organizations with different goals or divergent interests can have a disastrous outcome. Historically, the Comoros has had closer ties with the East African Community. As a result, intra-COMESA trade should be strengthened for two reasons:

(i) its 19 member countries are a potential market and (ii) the forthcoming Tripartite agreement will further liberalize access to other African countries that the Comoros could make into outlets for their know-how while providing access to their strategic geographical location. Given that IOC members are part of other organizations, the primary concern of that organization is political. Relations with Arab countries are vital to the Comoros' liberalization strategy because the strong demand there for the cash crops exported by the Comoros is a huge opportunity. Another advantage embodied in trade with the Arab countries is that it makes the Comoros a bridge to the Arab World. The Comoros is one of the few COMESA countries which can act as a springboard to that region, the Arab League and the IOC. Lastly, the Arab countries have a charitable view of cultural and religious investment. Despite the halving of Comorian trade with the European Union (EU) over the past ten years, the EU continues to be the country's chief trading partner. France accounts for the bulk of trade flows. Relations between the Comoros and the EU are nevertheless sound and are built on a cooperation programme (funding under the 11th European Development Fund, currently at the drafting stage, amounts to €68 million). The Comoros takes part in the negotiation of EPAs as part of the Eastern and Southern Africa (ESA) group. In July 2014 the ESA decided that the countries were not yet ready to sign the EPAs as they stood at that point. The agreements were deemed not to meet the initial negotiating objectives. The Comoros is concerned that tax receipts on imports may fall by 10%, severely affecting the country's room for manoeuvre or "policy space" to the detriment of the development of its local production capacity. The Comoros should maintain relations with the EU under the EBA Initiative, on a non-reciprocal basis that provides full access to EU markets; the EPAs do not provide additional access. The Comoros is now setting out on a path based on regional and external integration and adding value to the production chain that the country has developed locally. This strategy presents a number of advantages including a vast number of multicultural young people who are open to the world, a small agri-food industry and new segments for development such as use of ICT as a driver of integration. The Comoros has also further cemented the country's place in the regional groupings to which it belongs. It must now do its best to identify the economic potential that regional and bilateral integration can offer in terms of expanding trade, and develop market niches in line with available preferential access arrangements.

TABLE 1: ONGOING NATIONAL TRADE FACILITATION PROJECTS AND PROGRAMMES

| Donor | Programme documents | Period | Trade facilitation segment | Projects under way |
|--|--|------------------------------------|---|--|
| Name of donor (bilateral, multilateral) or South-South/NGO | X | 2013-2016 | Single window | X single window project, estimated at US\$5 million. X offers x US\$3.6 million for the electronic cargo system and to train the business community in how to use the training programme. |
| Name of donor (bilateral, multilateral) or South-South/NGO | Institutional support for x & transport facilitation project | 2007 to date | Customs cooperation, transport facilitation and regional TF arrangements. | Institutional support for transport and trade facilitation, port improvements, customs modernization, establishment of the central corridor transit facilitation agency. Project cost is US\$9.7 million. |
| Name of donor (bilateral, multilateral) or South-South/NGO | X | 11 February 2009 31 August 2014 | Customs cooperation | Upkeep of x, total cost US\$70 million. |
| Name of donor (bilateral, multilateral) or South-South/NGO | Regional authorized economic operator programme | 2013-date | Measures for economic operators. | Authorized economic operators/regional economic operators. Under way at national level and already in place in region x. |
| Name of donor (bilateral, multilateral) or South-South/NGO | Construction of a one-stop border post | 2012-2016 2010-2015 | Cross-border cooperation agency, expedite customs clearance for perishable goods. | Border post x (US\$6.5 million) in the aim of reducing delays at the border; improvement to IT infrastructure; training border staff, freight forwarders and traders. One-stop border post at x (US\$6 million) Aim: as above. |

TABLE 2: ONGOING SUPPORT FOR REGIONAL TRADE FACILITATION

| Donor | Programme documents | Period | Trade facilitation segment | Projects under way |
|--|---|---------------------------|---|--|
| Name of donor (bilateral, multilateral) or South-South/NGO | Regional project to improve the customs system for trade. | 2011-2015 | Risk management, streamlined formalities and documentary requirements. | Upgrading of the existing IT system to expedite cargo clearance times; migration to ASYCUDA World improves revenue control and provides precise, up-to-date information on trade in goods. The project value is US\$6 million. It is in operation at regional level. |
| Name of donor (bilateral, multilateral) or South-South/NGO | Programme to improve x. | 28 July 2010-26 Dec. 2015 | Regional integration, freedom of transit. | Project budget of £30 million. The aim is to support reforms to facilitate trade, road transport and regional integration. |
| Name of donor (bilateral, multilateral) or South-South/NGO | Capacity-building project for customs administrations, regional transport and TF in region X. | 2007-2014 | Cooperation agency, formalities and documentary requirements, customs border cooperation. | The project focuses on: (i) the concept of launching one-stop border posts; (ii) bolstering joint border surveillance; (iii) training for customs clearing agents; (iv) customs clearance support system for agents; (v) IT and automation systems. |