

# Impact of Trade Facilitation on the Freight Forwarding Industry: A Case of Plumtree Border Post

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**Abstract**— The main aim of the study was to investigate the impact of trade facilitation in the freight forwarding industry. The study was largely prompted by the high levels of delays that are experienced at border posts by traders and tourists, hence the need to investigate the challenges faced by freight forwarders resulting in delays and the effectiveness of the Plumtree border post as a trade facilitation tool. The study focused on the challenges, causes and effects of different trade facilitating agencies that directly affect the freight forwarding industry through a case survey of 72 respondents comprising freight forwarders, clearing agents, traders and customs officers at the Plumtree border post was used. The results revealed that there is greater need to increase transparency and integrity in the administration of daily operations at the border post. There are increased direct and indirect costs such as transport and customs documentation leading to inefficiency, increased lead time and fraudulent activities arising amongst freight forwarders and clearance delays for consignments hence it was recommended that the freight forwarding industry should propose to trade facilitation agencies to fully adopt and implement trade facilitation standards, recommendations and best practices which have been developed by various international bodies.

**Keywords**—Trade Facilitation, freight forwarding, Zimbabwe, customs, transport.

## 1. Introduction

International trade has as well brought with it globalization that has come with many factors

creating a competitive global environment in freight forwarding such as efficient and low cost transportation, and logistics from source to destination and this has seen notable positive and negative impacts on the supply chains of economies particularly the Zimbabwean freight forwarding sector [1]. Border posts have always been the gateway from one country to the other. As such the Plumtree border post which happens to be the second largest is the main crossing point between Zimbabwe and Botswana. It is named Ramokwebana on the Botswana side. The border post operates from 0600hrs to 2200hrs meaning all freight forwarders arriving after closing time have to wait and be cleared the following day, [2]

Trade controls were introduced so as to curb problems faced by freight forwarders among other border users, yet solutions are hard to depict. Border delays are the most strenuous as freight forwarders find themselves faced with the challenge of meeting deadlines. Inspections of consignments contribute to the delays as these are done physically, yet one of the main aims of trade facilitation was to provide scanners and x-ray machines to enhance on inspection. Exchange rate fluctuations have led to the decrease in organizations sourcing from international markets hence leading to a decrease in market growth potential for the freight forwarders. The introduction of the Statutory Instrument 64 of 2016 also infringed rules of international trade as Zimbabwe is a member of the 165 member World Trade Organisation and being a member also means they have a highly utilized neutral dispute settlement system which they fall back on when things go wrong as they do in global trade Non-Tariff Barriers. Lengthy customs clearance

procedures have led to the whole process being imprecise hence leading to corruption by Zimbabwe Revenue Authority (ZIMRA) officials. To add on to that the clearing process experiences problems because the bandwidth-network provided by two telecommunication service providers is mostly down these thereby delaying trucks at the border post. In simpler terms slow movement of goods and people at various borders in Africa because of strenuous customs, immigration and security procedures compromises trade facilitation in the region and beyond. Thus it is according to this background that freight forwarders have to fall back on trade facilitation in order to expedite the movement of goods across international borders.

Trade facilitation measures were introduced so as to realize better management of customs services, faster clearance and less transaction costs among other factors. However, observations led to an increase in direct and indirect costs such as transport and processing of customs documents. This has an effect on the supply chain leading to inefficiency, increased lead time and fraudulent activities arising amongst freight forwarders and clearance delays for consignments amongst other various challenges that are faced at the border post. Thus, the reason for undertaking the research as an act that trade facilitation has to be revisited in Zimbabwe. The aim of the study is to investigate the impact of trade facilitation on freight forwarding industry. The study will achieve the following objectives:

- To evaluate the procedures and controls governing the movement of goods and identifying how they can be improved.
- To evaluate the effectiveness of the Plumtree border post as a trade facilitation tool.
- To investigate the challenges experienced by freight forwarders resulting in delays.

## 2. Literature Review

In this extremely competitive world, the supremacy of logistics can have a chief bearing on organizations decisions as to which country to move to, which suppliers to source from, and which markets to penetrate. High trade facilitation costs and low level logistics services are an obstacle to trade and foreign direct investment and therefore to

economic growth. Countries with high trade facilitation costs are most likely to be bypassed by the opportunities of globalization thus trade facilitation has become one of the significant concerns of trade negotiations within the WTO.

### 2.1 Concept of Trade facilitation

Up to date, several attempts have been made to define trade facilitation but no consensus has ever been reached. [8] Defined trade facilitation as the simplification and harmonization of international trade procedures including activities, practices and formalities involved in collecting, presenting, communicating and processing of data required for the movement of goods in international trade. Clearly this definition relates to a wider range of activities including but not limited to import and export procedures for example customs or licensing procedures, transport formalities, payments, insurance, and other financial requirements. The definition of trade facilitation has been broadened to include the transparency and professionalism of customs authorities, harmonization of various standards and conformity to international or regional regulations. In a narrower sense, trade facilitation concerns the movement of goods in cross border trade [3]. Trade facilitation is the adoption of a comprehensive and integrated approach to simplifying and reducing the cost of international trade transactions, and ensuring that the relevant activities take place in an efficient, transparent and predictable manner based on internationally accepted norms and standards and best practices [4].

Trade facilitation refers to the averting of preventable trade restrictiveness. This can be achieved by applying modern techniques, standards and technologies, at the same instance improving the quality of controls in an internationally harmonized manner. Trade facilitation is one of the key factors for economic development of nations and is closely tied into national agendas on social well-being, poverty reduction and economic development of countries and their citizens. The fundamental principles are transparency, simplification, harmonization and standardization.

## 2.2 Freight forwarding and Trade Facilitation in Zimbabwe

The freight forwarding industry is the lifeline of every country in terms of trade, there can be no trade without freight forwarding and customs clearing. According to the International Trade Centre under Trade facilitation they state that, Zimbabwe is a landlocked country and therefore has limited water transport services. It has access to the sea through ports in Mozambique and South Africa. According to [5] Zimbabwe was ranked 103rd out of 155 countries. Its general performance is better than the averages of sub-Saharan Africa and low income group. Although Zimbabwe has higher indices in timeliness and international shipments than the regional average, according to, [9] it takes longer time and more cost to export and import than the regional average. It takes 53 days and 71 days to export and import a standard container of goods in Zimbabwe while, the regional averages are almost its half (31 days for export and 28 days for import). The problem lies in the long time to prepare document, which takes 33 and 42 days. Therefore, internal border agency cooperation and formality of documents need to be improved. Moreover, it costs USD 3,765 and USD 5,660 to export and import the container in Rwanda, while the regional averages are USD 2,108 and USD 2,793. Considering that Zimbabwe pays USD 3,000 and USD 4,500 just for inland transportation and handling, it is necessary to improve the quality of logistics services, for which the index was lower than the regional and income level averages.

Zimbabwe's widening trade deficit can be addressed through trade simplification and other regulatory easing mechanisms. The government has sought to increase exports through a raft of measures which include incentivizing those exporting processed products instead of raw minerals and this would be done through focusing on trade facilitation as well as on how the country could leverage on the export of services, [9].

According to [6] on WTO, trade facilitation is one of WTO new issues that included the following

- Simplification and rationalization of customs procedures
- Harmonization of rules of origin
- Implementation of customs valuation agreements
- Review of the agreement on pre-shipment inspection

- Protection of intellectual property right
- Simplification of sanitary procedures
- Harmonization of various standards including safety and environment

[6] elaborated by saying trade facilitation barriers identified by WTO Council on trade in goods included customs related difficulties such as barriers due to pre-shipment inspection, arbitrary customs valuation which is illegal under the valuation agreement, difficulties for express delivery, general absence of transparency procedures, unwanted delays in getting goods released and potential for corruption in the absence of transparency and automation in customs administrations.

## 2.3 Challenges experienced by freight forwarders

Much of the delays that developing countries face stem from a lack of coordination between the importing countries and transporting countries, where often times goods at sea ports lie waiting for the arrival of vehicles from offshore countries that would be willing to transport the goods inland [7]. It can be argued that while the goods could be waiting to be transported inland, the vehicles also have to go through various check points to arrive at the port, and even then, they often at times have to wait even days to have the goods loaded due to inspection delays, documentation, and clearance fees that have to be paid before goods can be transported. Thus the researcher acknowledges that it becomes an especially huge challenge especially because after port delays have been dealt with, freight forwarders still have to go through various shipment points inland, to have the goods arrive at their final destination. A reduction in the time delays at border crossings, port inspection and check points would therefore go a long way in easing the moving of goods through transit points. Since Zimbabwe is a landlocked country and it has a limited choice when it comes to transit corridors, they face a heavy challenge because of a very high dependency on cross border relations with their neighbours. For landlocked countries to be able to move goods through the transit corridors, they are not only required to have good political relations with their neighbours, but are also dependent on their peace and stability as well as the neighbour's administrative practices [10]. With this being noted, it is easier to realize that if there are conflicts between Zimbabwe and its neighbour, the neighbour could easily block its borders or set up regulatory obstacles to trade. As with such, freight

forwarders depend highly on peace treaties to be kept so as to continue in business.

According to [9], it read Zimbabwe's freight forwarding industry is facing cash flow challenges under a hard currency regime as well as lack of modern and reliable cargo handling equipment and poor rail infrastructure and cargo planes after an interview with the Shipping and Forwarding Agents Association of Zimbabwe (SFAAZ) president. The president admitted that a lot of challenges were due to a lot of undercutting of clearance rates and corrupt tendencies in the industry. "While some companies were formed by former customs officers who had the technical know-how of clearing, a good number of the companies lacked the required technical expertise, the scenario is still causing challenges within the customs and the freight forwarding industry" the president acknowledged. One of the challenges that the researcher has observed is that of cash flows. Very few clearing agents can pay duties to customs on behalf of clients due to the unavailability of both cash and credit from the banks.

The other challenge that crippled the freight forwarding industry in Zimbabwe is that most manufacturing companies that shut down during the decade long economic crisis that ended with dollarization in 2009 were not able to operate again. Those that remained operating are barely able to be sustained by their margins being realized by importation of finished products.

According to Trade Mark Southern Africa (TMSA) (2011), costs of doing business in Africa pose as a challenge as well to freight forwarders as they are very high partly because of high transport costs, high costs of service and the unreliable nature of their delivery. They further expand by saying there is need for improvement in infrastructure and more efficient use of the existing infrastructure at border posts. Some of the other challenges being faced by

freight forwarders in general and that are hindering Zimbabwe into realising its full potential include the congestion at road border posts, the risky transportation of dangerous goods by road and the damage that has been caused on the roads by truckers. It would have been more cost effective if bulky cargo were transported by rail but the National Railways Zimbabwe as it is, is in dire constraints.

### 3 Research Methodology

The study was conducted in the Matabeleland South Province of Zimbabwe at the outskirts of Plumtree Border Town. The Plumtree Border Post is approximately 110kms west of the city of Bulawayo. For the purposes of this study, a descriptive research design was used as it is suitable in collecting public opinion. It helps to plan and implement the study in a way that will help the researcher to obtain intended results, thus increasing the chances of obtaining information that could be associated with the real situation. Because of its reliability and objectivity, quantitative research is used in this study. The study used observations which were carried out in a quantitative context by counting the number of freight forwarders accessing the service of the border and also by ascertaining busy and quiet times.

The target population for this research was the people at the border post which consisted of the customs and immigration officers, traders at Plumtree border post, clearing agents and freight forwarders a total of 111 individuals. Table 1 below shows the distribution of possible respondents.

**Table 1:** Target population

Target group	Size	Strata (70)	Sample size
Customs	28	25.2%	20
Freight forwarders	33	29.73%	21
Clearing agents	17	15.3%	10
Traders	33	29.73%	21
<b>TOTAL</b>	111	100	72

### 3.1 Sampling

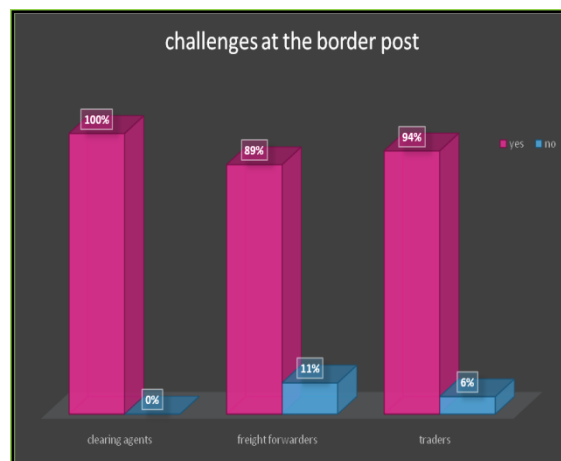
The researcher carried out stratified sampling which is a type found in probability sampling technique. Stratified sampling involved dividing the population into strata, with each stratum having relatively homogenous elements. Once the strata had been identified a simple random sample was selected from each stratum. Stratified sampling is used when the population is thought to consist of a number of smaller subgroups or sub populations such as male/female, different age/ethnic/interest groups, which are thought to have an effect on the data to be collected. In this research, the researcher decided to divide the population into freight forwarders, traders, immigration officers, police officers and clearing agents then simple random sample was drawn from each group. This procedure made it easy to draw inferences about specific subgroups that would have been difficult to recognize in a more general random sampling technique as in this study thus stratified sampling suits perfectly.

### 3.2 Data collection methods

For the purpose of this study, the researcher used the survey design in which data was collected by way of questionnaires that comprised of demographics section and a section of semi structured interview questions as well as observations of the activities surrounding the Plumtree border post. Together these instruments form the body of the research instruments of the study.

## 4 Results and Findings

One of the objectives of this study was to find out if there were any challenges at the Plumtree border post and if any, what were the possible causes. Most of the respondents who participated agreed that there are challenges that they encounter at the border post. 92.7% of the respondents answered positively to the question indicating that there were several factors that hindered the smooth flow of operations at the border. Figure 1 below shows the challenge percentile response bar chart of the industry participants.



**Figure 1.** Challenges Faced at the Border post.

The diagram above indicates that 100% of the clearing agents vehemently agreed that there were challenges that they encountered at the border post such as shortage of customs staff and penalty charges on incorrect declarations and tariffs. Of the 89% freight forwarders who responded positively to challenges, they cited clearance delays as a major factor that led them to not meet their deadlines. 94% of traders mentioned declaration costs as the major challenge they encountered. They cited not fully knowing at what cost or items declarations started from hence that leading to their goods being confiscated or officials hinting for bribes. These challenges were aligned to corruption, delays in sorting out damaged cargo and delays in processing documents with some emphasizing the unpredictable penalty charges also were hindrance to faster clearance of consignments at the border post. Attempted bribery by customs officials proved to be the biggest challenge that the clearing agents were keen on with the response rate of 90%. Accountability of client funds by the agents also was seen to be another factor that prolonged clearance delays as customs procedures states that payment should be accompanying documents and the consignments being cleared. The level of incompetence was recorded at 81.3% with the respondents citing that some staff at the agent offices were not well vexed about the whole clearance procedures. 88.9% of respondents indicated that they had a challenge with the way the clearing agents handled their queries whereas 77.8% of the respondents who participated mentioned transparency as a challenge. Other challenges cited included misuse of clients' funds and wrong declaration which led to penalties and hence high costs to the organizations. It was also noted that clearing agents have not helped either as

more often than not they send insufficient and at times wrong information to customs hence clearance time is stretched at the expense of the organizations.

#### 4.1 Key challenges in the transport sector

It was found out that poor road infrastructure as being a challenge to the transportation of goods across international borders, however numerous road blocks along the highways with a positive response rate of 87.5% hinders the smooth flow of facilitating trade. Respondents cited the road blocks as factors that increased costs as police officers would go as far as being paid so as to bypass the roadblocks. Factors including high toll charges, delays at the weighbridges, corruption and negative attitude of police officers acted as contributing issues in the research.

##### 4.1.1 Challenges in the customs department

Analysis in the study pointed out that, delays in documentation at customs is a major issue in spite of the ASYCUDA world system for imports/export documents. The system failure was also cited as the major contributor of delays by the customs department while corruption by the officials proved to be a source of a way out, as respondents cited faster clearance with the help of bribery. Tariff clarification queries and wrong tariff declarations proved to be a major challenge as respondents cited 100% penalty charge by customs authority.

##### 4.1.2 Other problems in dealing with customs

Of the questionnaires distributed, respondents were asked to specify if there were any other challenges that they encountered while dealing with customs department, listed below are some of the problems and their possible causes:-

- Lack of consultation with stakeholders when new policies are implemented.
- Negative attitude of customs staff towards border users was cited with language barrier being the major issue.
- Incompetence of customs staff hence decisions being made by senior management.
- Shortage of staff leading to slow clearance processed and demurrage charges.

##### 4.1.3 Causes of problems with customs

- Numerous paperwork leading to important clearance documentation shortage
- A lot of signature and stamps for imports
- Lacks of transparency of procedures.

- Many control entities with different policies and procedures

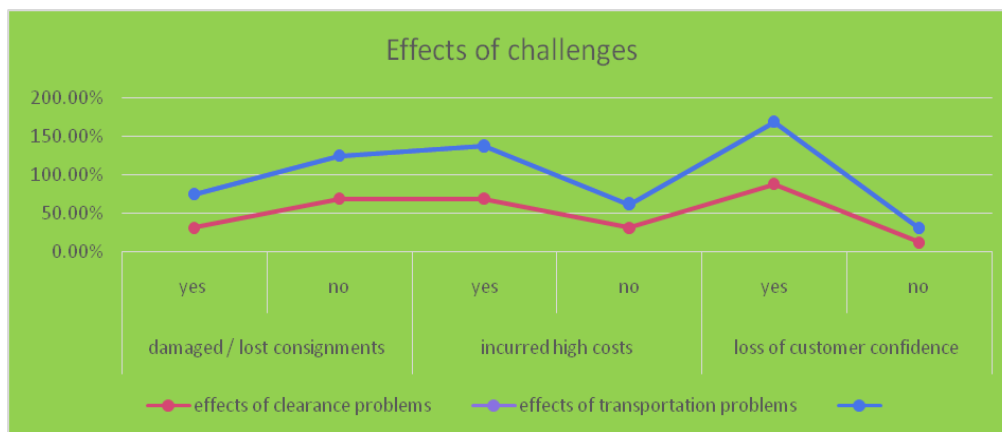
##### 4.1.4 Challenges faced by the customs department.

Respondents were asked on challenges they faced in their organization which had a bearing on productivity as well as trade facilitation. Respondents pointed out that the organization faced a lot of operational challenges such as low staff complement. According to the respondents, network challenges continue to be the millstone on the neck of the organization. The migration from ASYCUDA++ to ASYCUDA World version was meant to improve clearance times, however this proves to have setbacks. Irregular network challenges mean commercial trucks continue to be held up at the border.

##### 4.1.5 Effects of the challenges to stakeholders

The effects of the challenges experienced in clearing cargo at the border post along with the challenges on the highways according to the research shows that stakeholders incur high costs with the recording of 44% on incompetence. This result in loss of customer confidence as being indicated by the respondents' rate of 84.4% depicted in figure 4.6. Freight forwarders alluded that in some cases they experience either damaged or lost cargo and this added on to the costs being incurred. Figure 4.6 gives a detailed description of the effects of challenges experienced by freight forwarders and clearing agents at Plumtree border post.

The implication of delays at the border post gives a negative flow to organizations involved in international trade as the more the goods are delayed, the more demurrage charges accumulate for importers and most of the respondents cited that \$500 was being charged per hour per delays. Fig 2 below shows an overview of these effects.



**Figure 2: Effects of challenges to stakeholders**

The graph as clearly stated above indicates that organizations are affected by clearance problems such that they end up facing glitches. Those glitches can range from consignments being damaged in the process of clearance to them losing their key customers because of delayed goods most times. The transportation of consignments also has implications to organizations and according to the graph above, shows that loss customer confidence is the major factor that affects them.

The study revealed that indeed trade facilitation does play a pivotal role in faster clearance of goods. Analysis on the current methods revealed that trade facilitation mechanisms have improved. Respondents indicated that customs operations are automated and risk management techniques are in use. Documents at the border are submitted electronically, though there is still a hiccup in that Setback in facilitating trade thus as per said in the problem statement that it has to be revisited in Zimbabwe. Most respondents were in agreement that it took within 1-12 hours to clear the different kinds of goods depending on their simplicity. The respondents who identified the border post as being moderate alluded that for the clearance times to range above 12 hours, it was because of the fact

## 5 Conclusions

Findings showed that there are increased direct and indirect costs such as transport and customs documentation leading to inefficiency, increased lead time and fraudulent activities arising amongst freight forwarders and clearance delays for consignments. The study revealed that many customs officials are aware of the procedures that govern international trading of goods. Some

most respondents indicated that the customs division hasn't achieved much progress in availing information to the public. The study also revealed that clearance times for truck drivers at three to four hours was an improvement on the clearing system compared to the five days on average they used to experience on other international borders. This could be attributed to the automation systems in place. The study also revealed that there was an increase in the number of commercial trucks being cleared at the Plumtree border post and mostly because of the lead time taken in clearance. Transparency was also another factor that was indicated by the respondents. The study revealed that there was need to increase transparency and integrity in the administration of daily operations. Many respondents revealed that customs officials were not too clear about how they conducted their business and this actually leads to a that only one consignment note would be used for several trucks carrying one load. This tends to delay clearance as the customs officials would not resume clearance of the trucks which would already have arrived at the border post unless all the fleet of trucks had arrived.

respondents cited procedures such as bureau veritas and cite permits. They also indicated that it is essential that they are aware of the procedures and controls as their operations at the border include making sure that smooth flow of goods and people is effected efficiently. The study on the other hand further revealed that many traders were not really aware and concerned about the procedures. For them having agents do all the paperwork was all that mattered. This revelation made it evident that

there are still some grey areas in facilitation of trade hence leading to setbacks in Zimbabwe. The study also revealed that clearance times for truck drivers at three to four hours was an improvement on the clearing system compared to the five days on average they used to experience on other international borders. This could be attributed to the automation systems in place. The study also revealed that there was an increase in the number of commercial trucks being cleared at the Plumtree border post and mostly because of the lead time taken in clearance.

### 5.1 Recommendations

In light of the conclusions above, it is recommended that:

The culture of transparency be exercised at the border post. All interested stakeholders should be aware of the clearance procedures and be able to fully understand the stages taken therein. The freight forwarding industry is also recommended to propose to trade facilitation agencies to fully adopt and implement trade facilitation standards, recommendations and best practices which have been developed by various international bodies including the WTO, UN/CEFACT, WCO, IMO and UNCTAD among others. In addition, the boards in the industry should propose to trade facilitation agencies to continuously train staff operating at the border. Such training should cover operation skills upgrading, customer relations management, anticorruption issues and new developments and approaches to trade facilitation.

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