



International
Trade
Centre

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New Trends in Trade Facilitation and logistics, the advantages of implementing TTFMM

25 April, Geneva

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Agenda

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Trends in trade facilitation and logistics

2

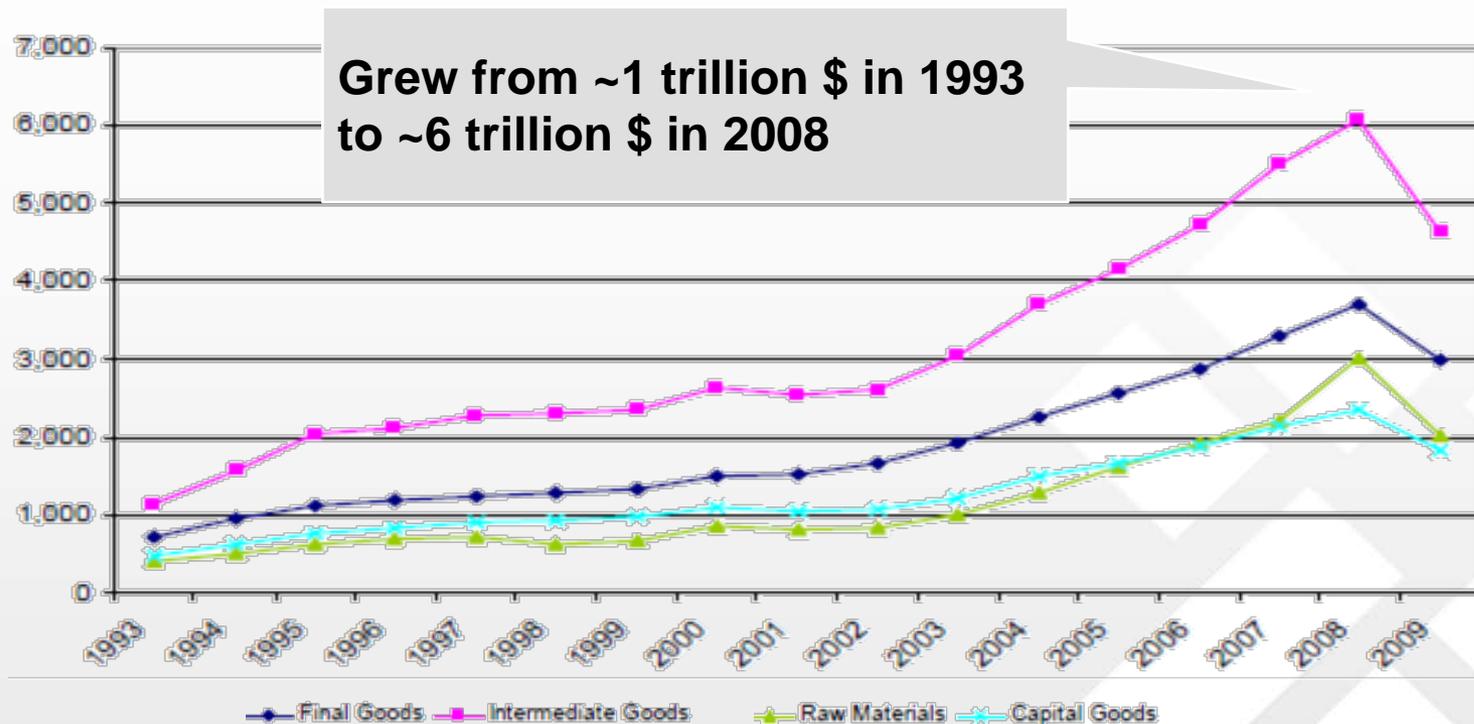
Existing trade facilitation and logistics indicators

3

Advantages of using TTFMM

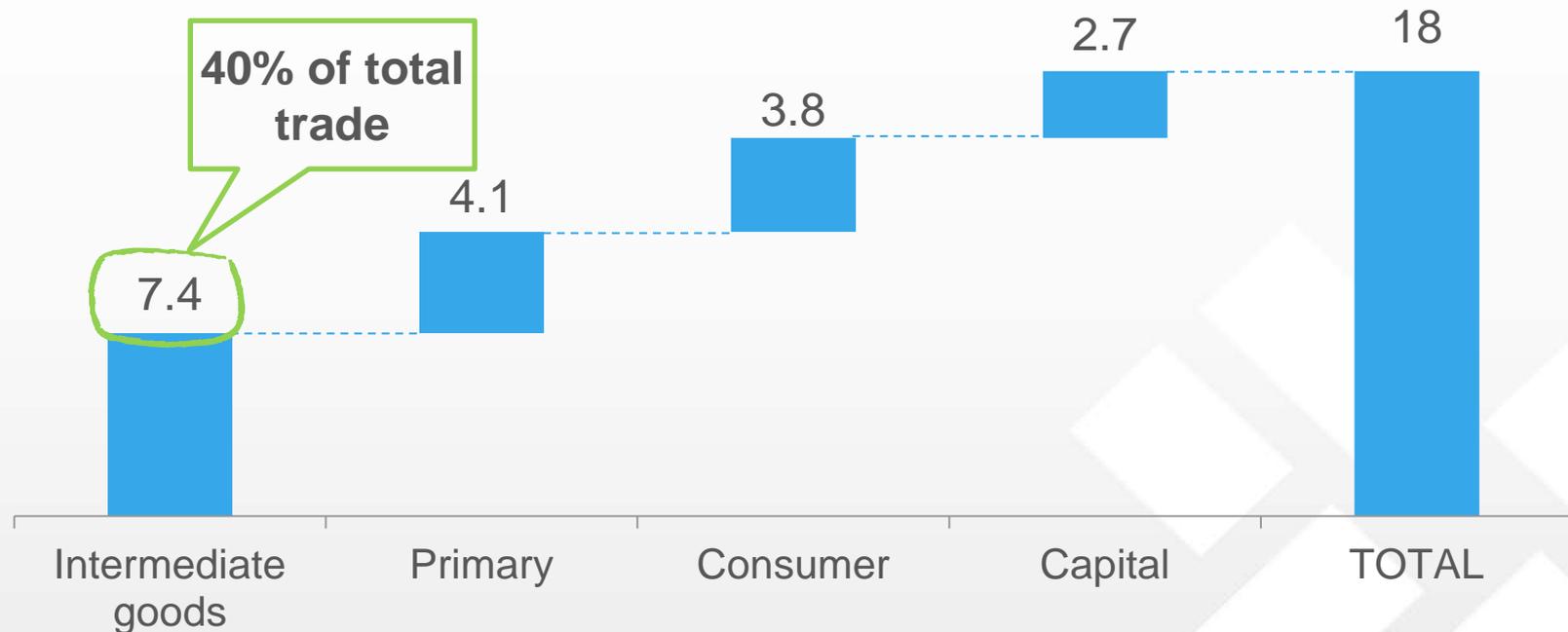
1 Trade in intermediate goods within GVCs has been increasing in the last 30 years

Evolution of export value by category of goods over the 1993-2009 period (in billion \$)



2 Trade in intermediaries represents 40% of total international trade

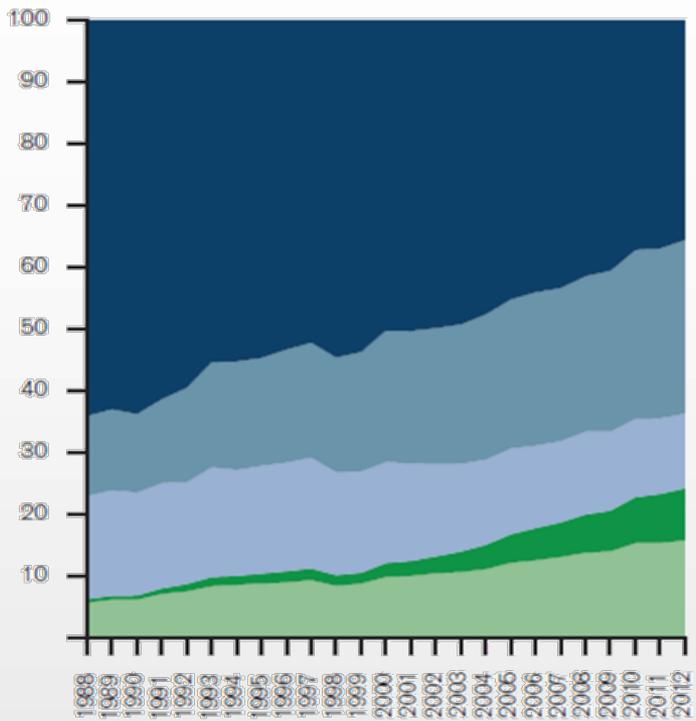
Breakdown of international trade flows by category of goods (trillion \$)



Alternative calculation (e.g. OECD) includes part of primary and capital driving the GCVs figure up to 70% of total trade

3 Developing countries participation in GVCs is gaining momentum

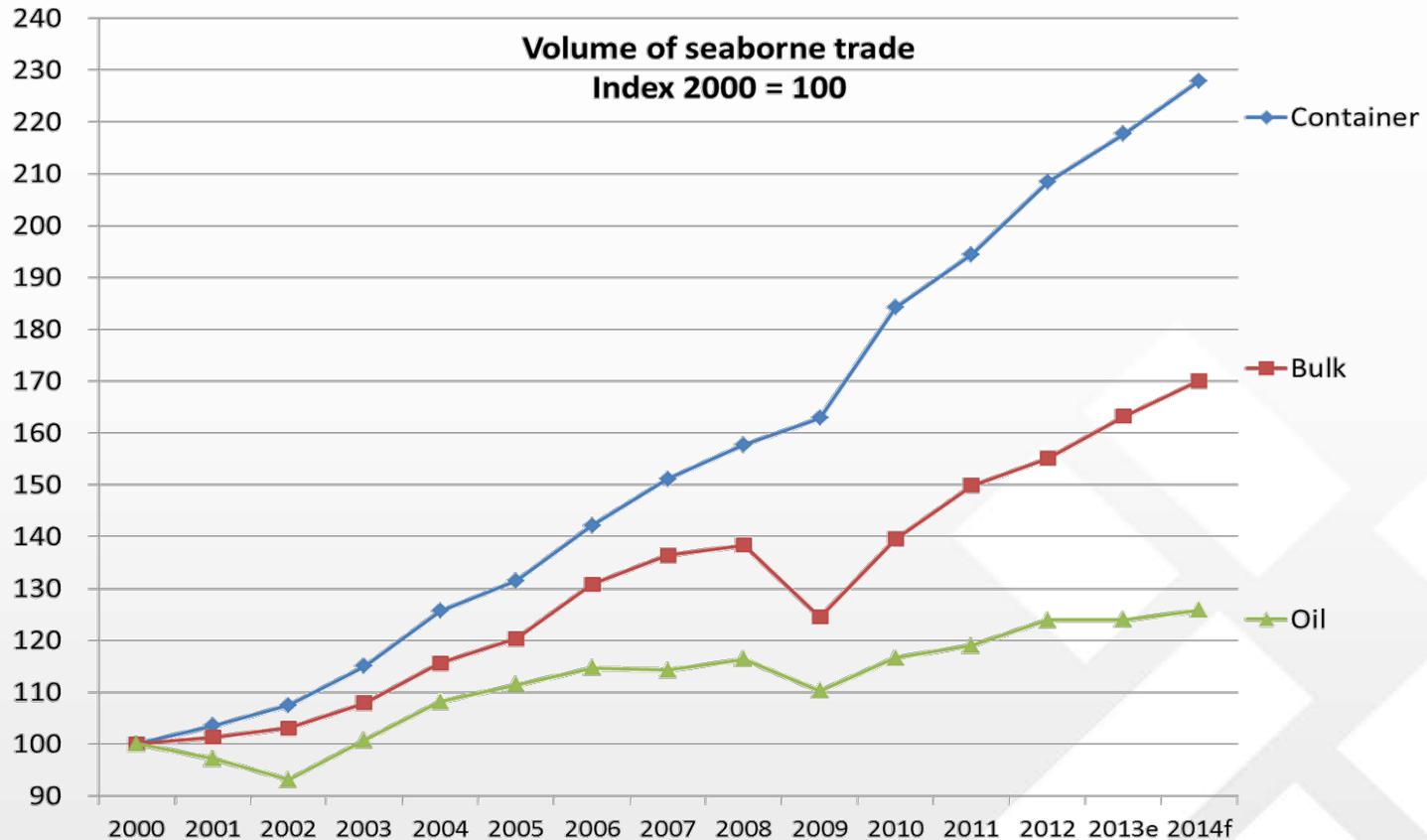
Share of imports in parts and components, 1988-2012 (%)



Key evolutions 1988 → 2012

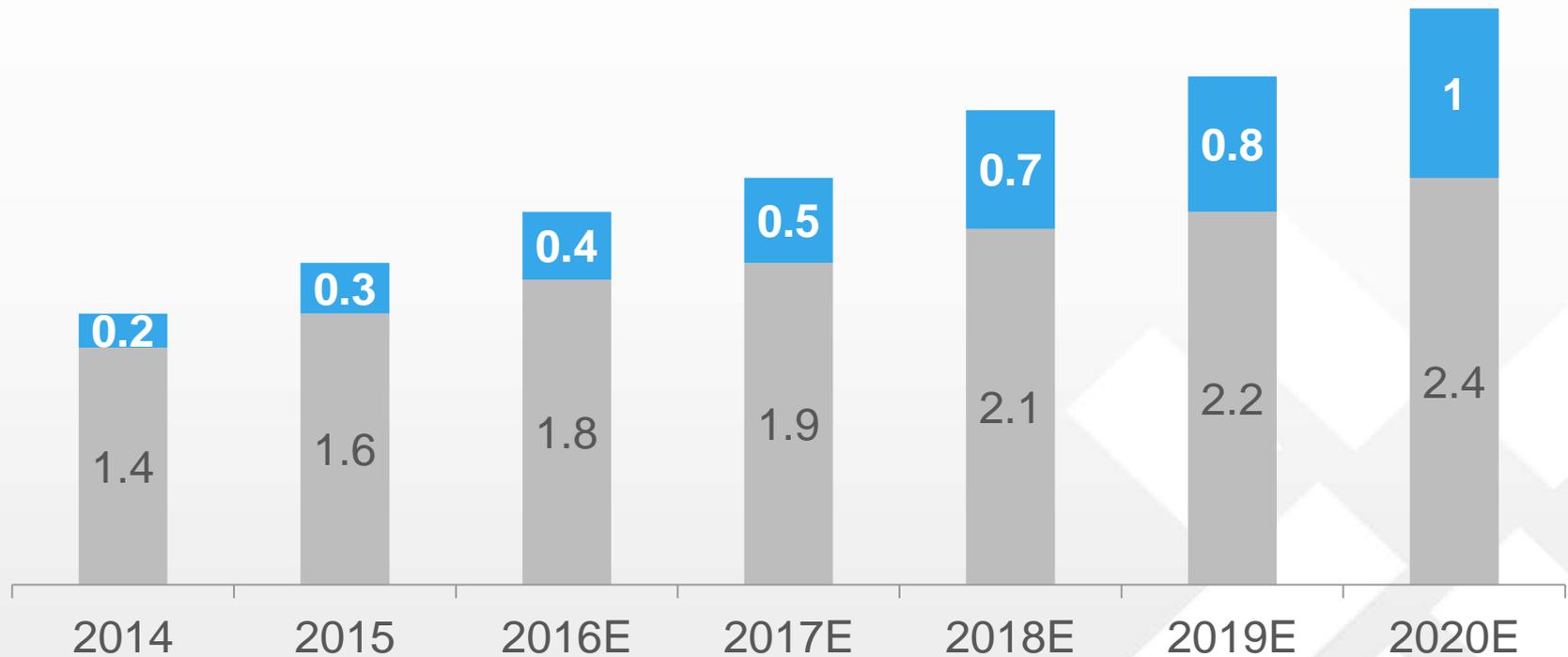
| | | | |
|-----------------------|-----|---|-----|
| Developed-Developed | 65% | → | 35% |
| Developed-Developing | 30% | → | 40% |
| Developing-Developing | 5% | → | 25% |

4 The volume of containerized trade has more than doubled over the past 15 years



5 1 trillion \$ of cross-border e-commerce transaction expected by 2020

Global B2C e-commerce volume (\$ trillion)



6 Trade efficiency identified as key supply chain risks

Key management principle: the “5 Zeros”



Zero inventory



Zero delay



Zero paper



Zero failure



Zero default

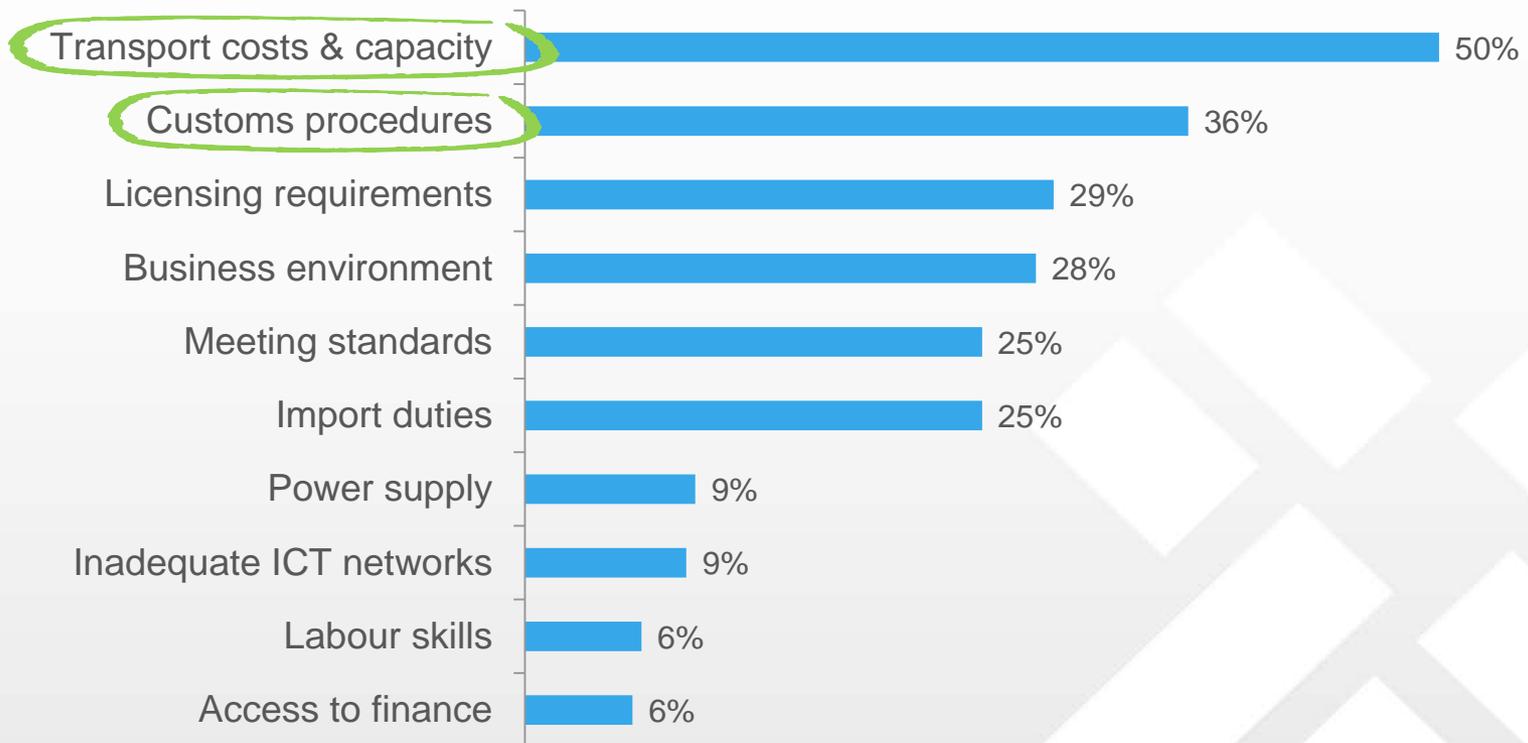


Key supply chain concerns for businesses¹



7 trade costs are a key decision criteria used by MNC when relocating in GVCs

Private view on the main barriers in connecting firms to value chains (% answers)



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Advantages of using TTFMM

Why is TTFMM required?

If you can't measure it, you can't improve it.

Peter Drucker

Let's see what already
exists



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1 WB Doing business - Trading across borders indicators: time and cost to trade

Key indicators provided

Measures the time and cost (excluding tariffs) associated with three sets of procedures

- Documentary compliance
- Border compliance
- Domestic transport



It also lists the documents required to import and export

Methodology

Data gathered through a questionnaire

- To local freight forwarders, customs brokers and traders.

Questionnaire responses are verified through several rounds of follow-up communication

The questionnaire data are confirmed through teleconference calls or on-site visits in all economies.

2 WB International logistics performance Index

Key indicators provided

Analyses and compare countries on 6 dimensions

- Efficiency of customs
- Quality of infrastructure
- Ease of arranging shipments
- Quality of logistics providers
- Ability to track consignments
- Timeliness of shipments

Methodology

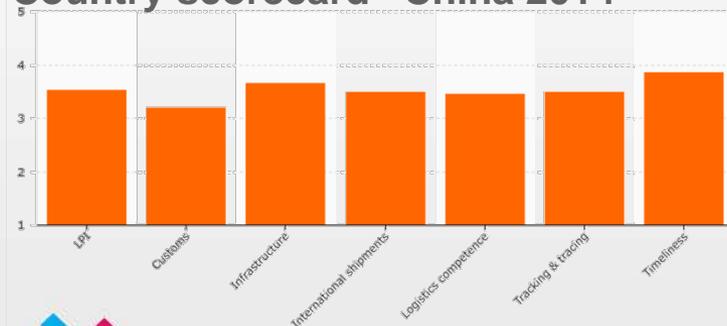
The data comes from a survey of logistics professionals

- Score reflects perceptions of a country's logistics

The index ranges from 1 to 5

- with a higher score representing better performance

Country scorecard –China 2014



2014 Global Ranking - Extract

| Country | Year | LPI Rank | LPI Score | Customs | Infrastructure | International shipments | Logistics competence | Tracking & tracing | Timeliness |
|----------------|------|----------|-----------|---------|----------------|-------------------------|----------------------|--------------------|------------|
| Germany | 2014 | 1 | 4.12 | 4.10 | 4.32 | 3.74 | 4.12 | 4.17 | 4.36 |
| Netherlands | 2014 | 2 | 4.05 | 3.96 | 4.23 | 3.64 | 4.13 | 4.07 | 4.34 |
| Belgium | 2014 | 3 | 4.04 | 3.80 | 4.10 | 3.80 | 4.11 | 4.11 | 4.39 |
| United Kingdom | 2014 | 4 | 4.01 | 3.94 | 4.16 | 3.63 | 4.03 | 4.08 | 4.33 |
| Singapore | 2014 | 5 | 4.00 | 4.01 | 4.28 | 3.70 | 3.97 | 3.90 | 4.25 |
| Sweden | 2014 | 6 | 3.96 | 3.75 | 4.09 | 3.76 | 3.98 | 3.97 | 4.26 |



Sources: <http://lpi.worldbank.org/international>

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2 WB Domestic Logistics Performance Index: environment and institutions

Key indicators provided

Contains detailed information on countries' logistics environments, core logistics processes and institutions

Methodology

For this measure, surveyed logistics professionals assess the logistics environments in their own countries.

| China | |
|---|--|
| Level of Fees and Charges | Percent of respondents answering high/very high |
| Based on your experience in international logistics, please select the options that best describe the operational logistics environment in your country of work | |
| Port charges are | 41.67% |
| Airport charges are | 33.33% |
| Road transport rates are | 39.47% |
| Rail transport rates are | 22.22% |
| Warehousing/transloading charges are | 21.62% |
| Agent fees are | 18.92% |
| Quality of Infrastructure | Percent of respondents answering low/very low |
| Evaluate the quality of trade and transport related infrastructure (e.g. ports, roads, airports, information technology) in your country of work | |
| Ports | 5.41% |
| Airports | 0% |
| Roads | 0% |
| Rail | 5.26% |
| Warehousing/transloading facilities | 0% |
| Telecommunications and IT | 5.26% |
| Competence and Quality of Services | Percent of respondents answering high/very high |
| Evaluate the competence and quality of service delivered by the following in your country of work | |
| Road | 28.21% |
| Rail | 15.79% |
| Air transport | 43.59% |
| Maritime transport | 50% |
| Warehousing/transloading and distribution | 38.46% |
| Freight forwarders | 44.74% |
| Customs agencies | 33.33% |
| Quality/standards inspection agencies | 18.42% |
| Health/SPS agencies | 23.68% |
| Customs brokers | 28.95% |
| Trade and transport associations | 34.21% |
| Consignees or shippers | 35.9% |
| Efficiency of Processes | Percent of respondents answering often or nearly always |
| Evaluate the efficiency of the following processes in your country of work | |
| Clearance and delivery of imports | 55.26% |
| Clearance and delivery of exports | 76.32% |
| Transparency of customs clearance | 52.78% |
| Transparency of other border agencies | 45.95% |
| Provision of adequate and timely information on regulatory changes | 51.35% |
| Expedited customs clearance for traders with high compliance levels | 47.37% |
| Sources of Major Delays | Percent of respondents answering often or nearly always |
| How often in your country of work, you experience | |
| Compulsory warehousing/transloading | 2.94% |
| Pre-shipment inspection | 9.38% |
| Maritime transshipment | 6.45% |
| Criminal activities (e.g., stolen cargo) | 0% |
| Solicitation of informal payments | 15.63% |

2 WB Domestic Logistics Performance Index: Performances

Key indicators provided

Contains detailed information on countries' logistics environments performance and costs

Methodology

For this measure, surveyed logistics professionals assess the logistics environments in their own countries.

| | |
|--|---------|
| Export time and cost / Port or airport supply chain | |
| Distance (kilometers) | 198km |
| Lead time (days) | 2 days |
| Cost (US\$) | 494US\$ |
| Export time and cost / Land supply chain | |
| Distance (kilometers) | 248km |
| Lead time (days) | 2 days |
| Cost (US\$) | 683US\$ |
| Import time and cost / Port or airport supply chain | |
| Distance (kilometers) | 172km |
| Lead time (days) | 3 days |
| Cost (US\$) | 683US\$ |
| Import time and cost / Land supply chain | |
| Distance (kilometers) | 137km |
| Lead time (days) | 2 days |
| Cost (US\$) | 514US\$ |
| Shipments meeting quality criteria (%) | 75.68% |
| Number of agencies - exports | 3 |
| Number of agencies - imports | 3 |
| Number of documents - exports | 4 |
| Number of documents - imports | 5 |
| Clearance time without physical inspection (days) | 2 days |
| Clearance time with physical inspection (days) | 3 days |
| Physical inspection (%) | 6.72% |
| Multiple inspection (%) | 2.24% |

3 OECD trade facilitation indicators

Key indicators provided

OECD has developed a set of 12 indicators to assess countries state of compliance with the WTO Trade Facilitation Agreement

| | |
|--------------------------|------------------------------------|
| Advance Rulings | Formalities – Documents |
| Appeal Procedures | Formalities – Procedures |
| Co-operation – External | Governance and Impartiality |
| Co-operation – Internal | Information Availability |
| Fees and Charges | Involvement of the Trade Community |
| Formalities – Automation | |

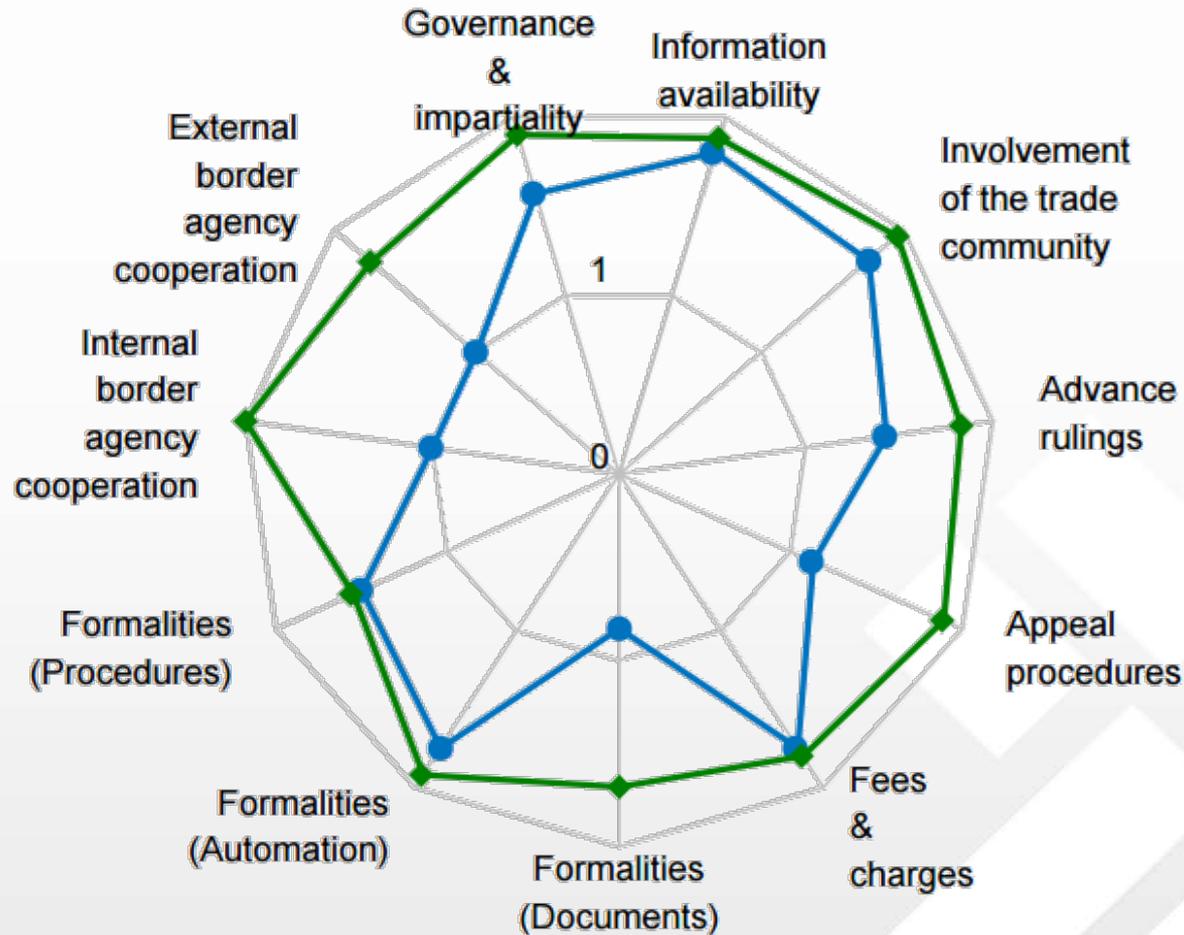
Methodology

These indicators are drawn from questionnaire replies as well as publicly available data

- Composed of some ninety-eight variables
- The relationships between variables in each category were analyzed attribute different weights according to their relative importance

The TFIs take values from 0 to 2, where 2 represents the best performance that can be achieved.

3 OECD indicators – China example



4 WEF Enabling Trade Indexes

ETI Assesses the extent to which economies have in place institutions, policies, infrastructures and services facilitating the free flow of goods using 4 dimensions

Market Access

Extent and complexity of a country's tariff regime, as well as tariff barriers faced and preferences enjoyed by a country's exporters in foreign markets

Border administration

Assesses the quality, transparency and efficiency of border administration of a country

Infrastructure

Assesses the availability and quality of transport infrastructure of a country, associated services, and communication infrastructure,

Operating environment

Measures the quality of key institutional factors impacting the business of importers and exporters active in a country



The Enabling trade report also identifies the most problematic factors for trade, 2013

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4 Methodology of the WEF Enabling Trade Indexes

ETI is composed of a total of 56 indicators and sub-indicators drawn from various sources, including

- the Global Express Association (i.e perception based)
- International Trade Centre (i.e quantitative analysis)
- Conference on Trade and Development (i.e. quantitative analysis)
- World Bank (i.e perception based)

In addition, several indicators are derived from the World Economic Forum's Executive Opinion Survey

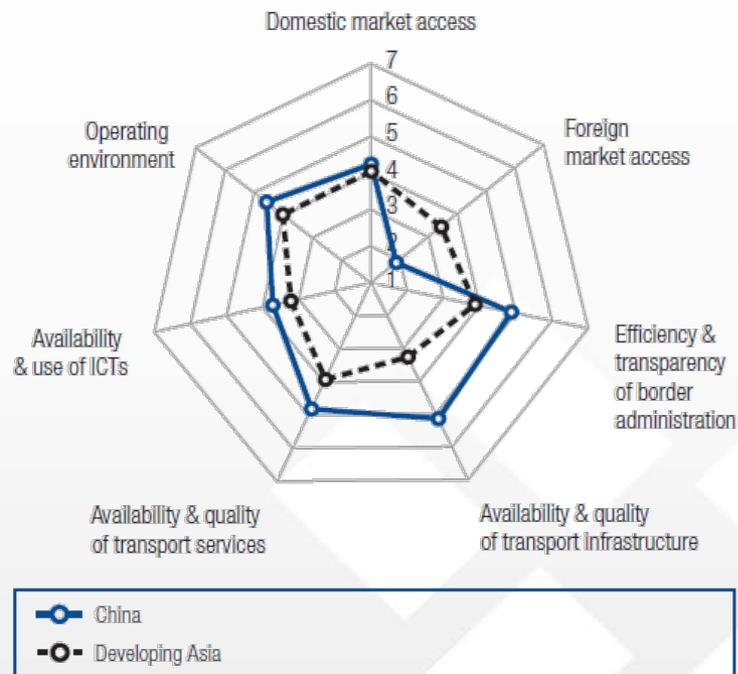
- i.e perception based

By construction, the scores of all indicators are always measured on a 1–7 scale

4 Example of the WEF Enabling Trade Indexes, China

Enabling Trade Index 2014

| | Rank (out of 138) | Score (1–7) |
|--|----------------------|----------------|
| Enabling Trade Index 2014 | 54 | 4.3 |
| Subindex A: Market access (25%) | 119 | 3.1 |
| Pillar 1: Domestic market access..... | 98..... | 4.2 |
| Pillar 2: Foreign market access..... | 125..... | 1.9 |
| Subindex B: Border administration (25%) | 48 | 4.9 |
| Pillar 3: Efficiency & transparency of border administration..... | 48..... | 4.9 |
| Subindex C: Infrastructure (25%) | 36 | 4.6 |
| Pillar 4: Availability & quality of transport infrastructure ... | 16..... | 5.1 |
| Pillar 5: Availability & quality of transport services..... | 31..... | 4.8 |
| Pillar 6: Availability & use of ICTs | 82..... | 3.7 |
| Subindex D: Operating environment (25%) | 37 | 4.6 |
| Pillar 7: Operating environment..... | 37..... | 4.6 |



5 GEA – WTO TFA Gap analysis

Key indicators provided

Country matrix comparing key TFA articles and information collected by GEA on customs capabilities to assess WTO Members level of compliance

Methodology

Matrix information reflect GEA Member perception of each country customs performance

|  | | BHUTAN |
|--|--|--------|
| WTO TFA GAP ANALYSIS | | |
| ARTICLE 1: PUBLICATION AND AVAILABILITY OF INFORMATION | | |
| 1 Publication | | YES |
| 2 Information Available Through Internet (NB: Best endeavours) | | |
| Procedures | | YES |
| Forms | | YES |
| 3 Enquiry Points | | |
| 4 Notification | | |
| ARTICLE 2: OPPORTUNITY TO COMMENT, INFORMATION BEFORE ENTRY INTO FORCE AND CONSULTATION | | |
| 1 Opportunity To Comment And Information Before Entry Into Force | | YES |
| 2 Consultations | | |
| ARTICLE 3: ADVANCE RULINGS (NB: Best endeavours for a.r. on valuation and quotas) | | |
| | | NO |
| ARTICLE 4: APPEAL OR REVIEW PROCEDURES | | |
| 1 Right To Appeal Or Review | | YES |

Synthesis of existing trade facilitation indicators

| Indicators | Scope | Data type | Perception vs. Fact | Country ranking |
|-----------------------------|---|----------------------------|---------------------|-----------------|
| DB – Trading across borders | Narrow (time and cost of trade, docs required) | Operational (Days, USD) | Perception | Yes |
| LPI | Wide (border perf., infra., logistics service qty) | Indexes | Perception | Yes |
| OECD | Narrow (TFA articles) | Indexes | Perception | No |
| Enabling trade | Wide (Market access, infra., border perf., ...) | Indexes | Perception | Yes |
| GEA | Narrow (TFA articles) | Yes/No | Perception | No |

Key limitations of existing Trade and Transport (T&T) indicators

Available international TT indicators are insufficiently reliable

- Indicators are based on stakeholders interviews (i.e perception based) rather than on quantitative analysis or policy reviews or business process analysis

Available international TT indicators are insufficiently detailed to guide policy recommendations

- Existing indexes can only support high level diagnostics

Available international TT indicators are not appropriated by national policy makers

- Thus jeopardizing national stakeholders ability to take ownership over follow-up actions

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Advantages of using TTFMM

Need for an integrated and sustainable mechanism

- ✓ Enable a country to collect its own data on trade and transport facilitation
- ✓ Provide adequate data & information to support decision making and reforms
- ✓ Provide evidence based impact of trade facilitation reforms on a country's cross-border performance
- ✓ Reduce unnecessary duplication of efforts & ensure recommendations are implemented
- ✓ Measure TF performance periodically over time building on a documented base line

Tools to build a reliable, sustainable and actionable TF indicator

BPA +

Built on the UNNExT Business Process Analysis methodology, supplemented by other trade facilitation monitoring measures



**WTO Average
RTS**

Tool and method for measuring the actual performance of border regulatory agency activities



**Time-Cost-
Distance**

Cost & time associated with transport processes used to identify inefficiencies and bottlenecks along a particular route



**Reliable,
sustainable and
actionable TF
indicator**

Fact based performance data: time, cost, documents
Identification of regulatory and/or procedural bottlenecks to allow for evidence-based reforms

Thank you for your attention

