The Business Case for Trade Facilitation and where CEFACT Deliverables make a Difference

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What is Trade Facilitation?

“the simplification, standardization and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make payment”.
Trade Facilitation - Why Bother?

- Additional day of delay in shipping reduces trade by 1 percent. Equivalent to a country getting 70 km further away. (Djankov, Freund and Pham, 2006)
- Studies show that 1 day delay is equivalent to 0.5% tariff
- The number of signatures and documents needed for a trade transaction correlates with number of days spent at the border (OECD)
- Trade transactions costs due to trade procedures: between 1 and 15% of import value (OECD)
- If Sub-Saharan Africa were to reduce number of signatures to world average it would mean cutting signatures by 82.5%, but would also theoretically mean an increase in trade flows by 81.5% (OECD Trade Policy Working paper no. 42, Wilson, 2005)
- Every extra day needed to ready goods for export and import reduces trade by around 4%. … the impact of an extra day that goods spend at the border has a greater negative impact on trade flows than an extra day spent at sea delivering a container of goods. (OECD Trade Policy Working Paper no. 108, Korinek, Sourdin, 2011)
Trade facilitation is high on the political agenda

« Trade facilitation is a true win-win for all countries, and it particularly benefits small and medium-sized enterprises (SMEs) and least developed countries (LDCs) »
Source: Ed Fast, Canadian International Trade Minister, May 2012

« Where the trade environment is more favourable, businesses are better positioned to take advantage of new opportunities, to grow and to create jobs »
Source: WB, World Business Report, 2010

« Every extra day required to ready goods for import or export decreases trade by around 4%. This is why a trade facilitation deal would be a tremendous value for our trading communities and in particular for SMEs »
Source: Pascal Lamy, WTO Director General, Dec 2011

Trade facilitation and the international political agenda

More than 2000 trade facilitation (TF) reforms all over the world in the last 8 years. Why?
• From tariff barriers to non-tariff barriers
• Emergence of global value chains
• Need for more efficient, simple and transparent trade transactions
• Evidence of benefits...

Benefits from Trade Facilitation

Government benefits

- Increased effectiveness of control methods.
- More effective and efficient deployment of resources.
- Correct revenue yields.
- Improved trader compliance.
- Accelerated economic development.
- Encouragement of foreign investment.

Business benefits

- Cutting costs and reducing delays.
- Faster customs clearance and release through predictable official intervention.
- Simple commercial framework for doing both domestic and international trade.
- Enhanced competitiveness.

Trade Facilitation – Trade Bottlenecks

Trade bottlenecks

- High transaction costs in trade
  - Many documents and signatures
  - Cumbersome procedures
- Need for reform and modernization of border agencies
- Lack of transparency
- Difficult to meet requirement of international standards
- Lack of trust between public and private sector
- Ports and border-crossings are bottlenecks
- Rent-seeking and corruption

Source: National Board of Trade (2009) Trade facilitation and maritime transport
Trade Facilitation Tools and CEFACT Deliverables

- Reduce, simplify and standardise trade documents and data
- Forums for dialogue between the public and the private sector
- Trade enquiry points
- Authorised trader schemes and use of risk management
- One-stop border posts
- Transport corridors
- Single Window

- UN/Layout Key, Codelists, Rec 14, Libraries, EDIFACT, XML etc
- Rec 4 and 33, Project on Consultation Approaches
- WCO instruments – but doc simplification & consultation a basis
- Recommendation 4
- Discussed for Future Project
- Recommendations 33-35

Rec:19  Mode of Transport
Rec:16  UN/Locode
ISO Country Code
Rec:17  Payment Terms
Rec:9  Currency Code
Rec:28  Means of Transport
Rec:21  Package Codes
Rec:20  Units of Measurement
A Generic Approach to Trade Facilitation

**WTO Trade facilitation negotiations**

- **Aim:** “further expedite the movement, release and clearance of goods, including goods in transit”

**Mandate:**
- Clarify and improve existing GATT Articles:
  - Article V: Freedom of transit
  - Article VIII: Fees and formalities connected with importation and exportation
  - Article X: Publication and administration of trade regulations
- Customs cooperation
- Technical assistance and support for capacity building (SDT)
Why a Trade Facilitation Agreement?

- Need for a harmonised framework of international rules on trade facilitation
- Build on existing trade facilitation instruments and standards
- Trade facilitation reforms need political support and good governance to be long lasting
- Ensure technical assistance and capacity building for implementation – coordination among donors


Surveys at www.kommers.se

- Economic Implementations of the Doha Round
- Supply Chain Security Initiatives
- Swedish Experiences of Trade Facilitation
- Global Value Chains
- Services
- Trade Facilitation and Maritime Transport
- E-Invoicing
Useful Sources of Information

- WTO (World Trade Organization) and Trade facilitation negotiations:
  http://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm

- UN/CEFACT list of recommendations:
  http://www.unece.org/cefact/recommendations/rec_index.htm

- Trade Facilitation Implementation Guide
  http://tfig.unece.org/index.html

- WCO (World Customs Organization):
  http://www.wcoomd.org

- GFP (Global Facilitation Partnership for Transportation and Trade):
  http://www.gfptt.org/

- OECD studies on the impact of TF:
  http://www.oecd.org

Thank you for your attention!

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