TRADING INTO THE 21\textsuperscript{ST} CENTURY

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Overview

The purpose of this presentation is:

♦ to introduce you to the UN/ECE and the Centre for the Facilitation of Procedures and Practices in Administration, Commerce and Transport, known as CEFACT;

♦ to explain how we cooperate and work with other organizations; and

♦ to make concrete proposals as to how WTO and the UN/ECE could work together in the area of trade facilitation.

Background: Two Thirds of World Trade

Two-thirds of world trade takes place between member States of the United Nations Economic Commission for Europe (UN/ECE) both in terms of merchandise exports and of commercial services. These same countries also pioneered the reduction of tariff barriers to trade. However, as tariff barriers have become less important, there has been a growing realization of the importance of procedural trade barriers and a great interest in seeing these barriers reduced or eliminated. Thus, for well over 30 years, the UN/ECE has been developing trade facilitation techniques, recommendations and norms which have been implemented in governmental and commercial sectors across the world. The goal is to make international business easy.

The UN/ECE’s Trade Facilitation Work

The UN/ECE undertakes trade facilitation related work in three areas: procedures and practices, transportation and, in particular, transport conventions, and statistics.

Process and Procedures Facilitation.

Simplification and codification of procedures and practices is undertaken by the Centre for the Facilitation of Procedures and Practices in Administration, Commerce and Transport, known as CEFACT. The Centre’s ultimate goal is to improve the ability of business, trade and administrative organizations to exchange products and relevant services effectively. This in turn leads to the growth of global commerce. Our aim is to promote borderless business. CEFACT focuses on removing procedural barriers to trade and delivers effective solutions via (1) analysis; (2) simplification; (3) harmonization; and (4) standardization. In its work on the trade transaction process, procedures and information flows are key components since, within a process, procedures often mark the points where information is gathered, distributed, interpreted or acted upon.
The results of the Centre's work are encapsulated in recommendations for best practices and in standards for process-related information. The best known among its recommendations are: the UN Layout Key for documents, UN Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT), and the UN Location code (UN/LOCODE), for the identification of trading locations around the world. An important new recommendation that we are developing is one on audit-based controls and risk management for cargo clearance.

Although everyone supports global commerce, making it happen is a daunting challenge. It requires open and effective business and administrative processes, which are the goal of CEFAC. Such processes combined with information technology provide substantial benefits to enterprises and governments alike. Some of these benefits are:

- simplified procedures;
- integrated supply chains;
- reduced trade cycle times;
- streamlined business; and
- lower costs.

Transport Facilitation

UN/ECE is also very active in Transport Facilitation. Under the Inland Transport Committee of UN/ECE, more than 50 multilateral agreements and conventions have been prepared and have entered into force. Today, these United Nations treaties provide the international legal framework for the facilitation and the development of international transportation, not only in Europe, but also in many other regions of the world. We are dedicated to reducing transit times at the frontier.

One of the most important of these treaties, which abolished unnecessary procedures and harmonized those that were indispensable at border crossings for road, rail, and inland water transport, is the TIR Convention of 1975. TIR stands for Transport International Routier. This Convention, accepted by 62 countries worldwide, permits the international carriage of goods by road from one Customs office of departure to a Customs office of final destination, transiting through as many countries as necessary, without any intermediate frontier check of the goods carried and without the requirement for national guarantees. At present, more than 2.5 Million TIR transit operations take place each year—the majority of them between eastern and western Europe.

When we speak about facilitating trade, we mean, of course, legitimate trade. It is not the purpose of trade facilitation to make it easier for illegitimate trade to cross national borders. For this reason, the UN/ECE maintains close ties with the UN Office for Drug Control and Crime Prevention, as well as the World Customs Organization. Our recent collaboration with these two institutions in support of the Southeast European Cooperative Initiative (SECI), to cite one example, reinforces our conviction that facilitating legitimate trade will free resources to focus on controlling crime and drug trafficking.
Agricultural Quality Standards

UN/ECE sets international standards for fresh and dried agricultural produce. These agricultural quality standards are an important part of our Trade Facilitation work, ensuring that producers, traders and consumers have confidence in grading standards for such diverse products as asparagus, oranges, dried apricots and hazelnuts.

Statistics Facilitation

UN/ECE is also home to the Conference of European Statisticians, another body that includes countries from outside Europe. The Conference coordinates the statistical work done by the UN/ECE, Eurostat, OECD and a number of other organizations in order to avoid duplication of work in all areas of statistics. In this context, it also works to minimize the statistical data requirements imposed on participants in the trading process.

Global scope - CEFACT

Over the years since it began, the scope of UN/ECE's trade facilitation activities has become global. This has occurred because member states have realized that standards and procedures in international trade need to be global, not just regional, and also because countries from outside the UN/ECE became interested in participating in its work. Member States have also realized that creating real, practical solutions to trading problems requires private sector participation on a global scale.

CEFACT was created with the objective of incorporating all interested parties in order to create a thorough, practical approach to the technical and policy areas of trade facilitation.

To achieve this goal, within CEFACT all participants are treated as equals, including:

- all United Member States;
- private-sector associations recognized by Economic and Social Council (ECOSOC) of the United Nations;
- intergovernmental organizations and other United Nations bodies.

All of the above can nominate as many experts as they wish to CEFACT's technical working groups where much of the work actually takes place.

As a result, in CEFACT's working groups we have hundreds of private-sector technical experts working together with experts from government administrations. This expert participation, together with the private sector's participation at a policy level, is a unique feature of the Centre which is forging new cooperative relationships between private business and public organizations. CEFACT's working methods are designed to permit the needs of business to be met, whether this means technical support for international supply chains to manufacture automobiles (e.g. Volvo) or for international logistical chains to deliver express mail packages (e.g. FedEx).
CEFACT's open structure provides a forum for institutional cooperation between intergovernmental and UN bodies in formulating and recommending international trade facilitation strategies and for reconciling commercial and official governmental requirements. For example, the World Customs Organization has contributed most of the initial work related to Customs. Other organizations, and the private sector, have been able to contribute so that the final result was agreed upon and compatible with commercial processes that interface with Customs. Other examples are the implementation of CEFACT Recommendations by UNCTAD's Trade Points and the valuable input that UNCTAD is providing to the revision of CEFACT’s recommendation on national trade facilitation organizations.

**CEFACT's International Partnerships**

In a world of increasing liberalization, trade facilitation has become an even more critical factor in improving trade performance. At the same time, larger and larger trading areas are being created, with enormous economic power, such as the European Union; MERCOSUR, the Common Market of the South; NAFTA, the North American Free Trade Area; and APEC, the Asia Pacific Economic Cooperation grouping.

This proliferation of trading areas could result in regional procedures and a variety of overlapping and different agreements for improving trade procedures. Unfortunately, the national or regional use of different standards can create procedural barriers to trade. Thus, the full benefits of trade facilitation can be achieved only through partnership, cooperation, and extending what has been developed within CEFACT to all regions.

As trade facilitation has increasingly been the focus of international attention, several initiatives, in specific areas, have been taken by other organizations to eliminate or reduce procedures which hinder trade. As a result, the UN/ECE has been placing increased emphasis on international partnership and communications. The creation of CEFACT has given it the opportunity to renew and enlarge existing partnerships with organizations that have provided a wide range of expertise to our work for many years, including: the World Customs Organization (WCO), the International Organization for Standardization (ISO), the International Article Numbering Association (EAN) and the Society for Worldwide Interbank Financial Transactions (S.W.I.F.T.). In addition, we have also worked on strengthening close collaboration and coordination with our sister organizations within the UN family like the other Regional Commissions, UNCTAD, ITC and UNCITRAL.

In the field of standardization, the UN/ECE has a special relationship with ISO and IEC, (the International Electrotechnical Commission). All three organizations are signatories to a Memorandum of Understanding that establishes a framework for the highest level of cooperation and coordination in their work related to Electronic Data Interchange. The results of this cooperation are reflected in a number of joint groups and ISO's endorsement of the basic standards underlying UN/EDIFACT. It is also interesting to note that discussions are currently taking place on the expansion of this MoU to cover electronic business as a whole. Moreover, the international Continuous Acquisition and Logistics Support (CALS)
community has recently recognized UN/EDIFACT as integral to commerce at light speed!

Facilitating international trade means agreeing common rules and standards and then ensuring that these standards are respected.

**Cooperation between UN/ECE and WTO**

The UN/ECE is committed to working with the WTO to achieve increased transparency in trade. Never before has Trade Facilitation attracted so much interest and attention. The subject is on the agenda of many international organizations and is part of many national plans and initiatives. The significance of Trade Facilitation is also made clear by recent WTO discussions on what role this organization should play and the fact that this very Symposium has been organized.

In this context, I am pleased to inform you that the UN/ECE has observer status with WTO's Committee on Trade and Development as well as its Committee on Technical Barriers to Trade where, in conformance with the TBT Agreement of WTO, UN/ECE is recognized as an international standardization body. In addition, the process has been launched to grant observer status to the/UN/ECE in other WTO committees, notably the Council for Trade in Goods.

**Three proposals**

The purpose of this symposium is to help identify the main areas where traders face obstacles when moving goods across borders and to support the mandate from the WTO Singapore Ministerial Declaration of 1996 to "undertake exploratory and analytical work drawing on the work of other relevant international organizations on the simplification of trade procedures in order to assess the scope for WTO rules in that area".

The question of how WTO and the UN/ECE can, together, "add value" and improve the international trade transaction process is one to which we have given a great deal of thought. The following are some proposals on how the UN/ECE and WTO could cooperate to promote and implement trade facilitation measures:

1) Over the years a substantial amount of know-how on trade facilitation issues has been developed by CEFACT. Its experts and the UN/ECE secretariat have technical expertise and, in this area, are a centre of excellence within the UN. In the WTO environment circumstances will often arise where recommendations or standards are required to provide solutions for imperfections in the trading process. In such cases, WTO could exploit CEFACT's competence in this area and get CEFACT to function as the expert body to whom requests for standards or procedural solutions are addressed -- much in the same way as it does with the WCO for the Technical Committee on Customs Valuation. In
In this case, rather than setting up an alternative machinery, WTO could issue requests for standardization actions which are then taken on board by CEFACT and addressed by its experts. These solutions could subsequently be issued as recommendations and, potentially, be embedded in the WTO legal framework.

2) In order to avoid a duplication of effort, and to make the best use of expertise in centres of excellence outside of the WTO, it has been suggested that solutions and recommendations coming from these organizations could be used by WTO. The discussions have focused on how rules and recommendations created by other organizations could be made a part of the WTO legal framework. In the case of the UN/ECE, this would allow CEFACT recommendations to be endorsed and embedded in WTO agreements.

3) A third area where WTO could benefit from cooperation is the Trade Policy Review Mechanism (TPRM). The function of the TPRM is to examine the impact of a member’s trade policies and practices on the multilateral trading system. The trade policy review mechanism analyses not only the economic environment and trade policy regime of a country, but also trade policies and practices which include measures affecting imports and exports. Some of these measures fall within the trade facilitation domain. However, so far no discussion has taken place on introducing trade facilitation issues into the present trade policy review mechanism. Against this background, it would be beneficial for the TPRM to include CEFACT’s trade facilitation recommendations.

Conclusion:

These three initiatives would contribute to the development of cybertrade and to the goals which we all share: a flexible and fair trading system open to all.

May I conclude with three clear messages:
1) UN/ECE is ready to cooperate
2) WTO is welcome to participate in CEFACT
3) CEFACT does not discriminate between members, whoever or wherever they are.

Thank you for your indulgence. It is an honour to be with you today and I now propose that Mr. Martre, The Chairman of CEFACT and the ISO High-Level Steering Group on CALS, should tell you more about our Trade Facilitation products. You will find further details on our Web page: http://www.unece.org/trafix.

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