

Recommendation 4

NATIONAL TRADE FACILITATION ORGANS

Arrangements at the National Level to Coordinate Work on Facilitation of Trade Procedures

At its fourth session, held in June 1973, the Group of Experts on Data Requirements and Documentation expressed the opinion that the international trade procedures facilitation work needed to be harmonized with a view to ensuring that a common approach to facilitation is adopted. It was thought that such a result could be achieved *inter alia* by the use of national committees set up expressly for the simplification of trade and transport procedures and that a recommendation on the establishment of such organizations could be drafted for adoption by the Working Party on Facilitation of International Trade Procedures. The delegation of Canada agreed to draft a suitable recommendation and guidelines.

During its second session later in 1973, the Working Party on Facilitation of International Trade Procedures considered the draft proposal submitted by the Canadian delegation and accepted it as a project which would be finalized by the secretariat in order to be considered at the next session.

RECOMMENDATION

At its third session, held in October 1974, the Working Party adopted the following recommendation:

The Working Party on Facilitation of International Trade Procedures,

Recalling that, since the creation in 1961 of the Working Party on the Simplification and Standardization of External Trade Documents, many countries had set up committees to study, in co-operation with that Working Party, the possibility of international standardization of the principal export documents;

Recognizing that some such national committees have been re-organized or superseded by national organizations with wider terms of reference covering the activities of the Working Party on Facilitation of International Trade Procedures;

Further recognizing the existence of national committees set up in response to recommendations of such organizations as the International Civil Aviation Organization and the Inter-Governmental Maritime Consultative Organization;

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TRADE/WP.4/INF.33; TD/B/ASTF/INF.33 [Edition 96.1].

Convinced of the value of national trade facilitation organizations and of the importance of a common approach to the facilitation of international trade procedures on a world-wide level;

Recalling that United Nations Members, not members of the Economic Commission for Europe, are invited to participate in the activities of the Working Party in a consultative capacity;

Recommends that the Governments of countries Members of the Economic Commission for Europe, in accordance with their national regulations, encourage the implementation of recommendations on facilitation of international trade procedures through setting up national organizations or committees, or by administrative or other suitable means.

Further recommends to the Commission to draw the attention of the Economic and Social Council and the other United Nations Regional Economic Commissions to the desirability of establishing national committees on facilitation of international trade procedures, in countries not members of the Economic Commission for Europe, where they do not exist.

At that session representatives attended from:

Austria; Belgium; Bulgaria; Canada; Czechoslovakia; Denmark; Finland; France; Germany Democratic Republic; Federal Republic of Germany; Hungary; Italy; Netherlands; Norway; Poland; Romania; Spain; Sweden; Switzerland; Union of Soviet Socialist Republics; United Kingdom; and United States of America; Japan and Nigeria.

The following specialized agency, intergovernmental and non-governmental organizations were also represented:

Inter-Governmental Maritime Consultative Organization (IMCO); General Agreement on Tariffs and Trade (GATT); Central Office for International Railway Transport (OCTI); International Chamber of Commerce (ICC); International Air Transport Association (IATA); International Organization for Standardization (ISO); International Union of Railways (UIC); International Chamber of Shipping (ICS); International Federation of Freight Forwarders Associations (FIATA). Also present at the invitation of the secretariat were staff officials of the Council for Mutual Economic Assistance (CMEA); the European Communities (EC) and the European Free Trade Association (EFTA).

I. BACKGROUND

1. Transportation technology has developed during the past few decades to the extent that modern transportation networks are capable of delivering goods in the fastest time ever known to man.
2. Communications systems have been developed so that it is now possible to send messages around the world in fractions of a second.
3. Despite these developments, the “supporting” trade procedures have progressed but little in the last century. In fact each new commodity and each new trade venture has brought with it additional control requirements and demands for information. Data processing methods which should have been used to assist the movement of goods are in some cases being used to process statistical information of dubious value. This is due in part to the lack of rationalization of data requirements between countries.
4. The result of unequal progress made in transport, communications and data processing systems on one hand and simplification of trade procedures on the other, are evident in congestion at airports, seaports and inland surface terminals. The cost of complying with outmoded regulations and control procedures is enormous. Any advantage which might once have been apparent by instituting such control measures is lost in the multitude of inhibitions which they set. Moreover, the original objective of such procedures and controls in many cases is no longer valid or has been forgotten, whereas the procedures remain in force. The effect may well be that the resulting intricate web of unwieldy procedures discourages potential exporters from entering international trade at all. Costly as procedures and related paperwork might be to developed countries, to developing countries they constitute, in addition, a serious obstacle to the expansion of their trade.
5. The participants in international trade, i.e. manufacturers, importers, exporters, carriers, banks, insurance companies, freight forwarders, brokers and public administration, each have joint and separate interests in the simplification of trade procedures.
6. Action by one of these participants directly or indirectly affects the affairs of another. A change in procedures adopted by one party will undoubtedly affect another and consequently give rise to increased or decreased costs.
7. Accordingly there should be consultation and co-operation between each of these interests. This consultation and co-operation may be achieved in several ways including the use of national committees or organizations set up expressly for the simplification of trade and transport procedures. Many countries have already established committees or organizations to deal with the problems. In some cases these bodies are privately organized and funded; others are backed solely by governments, whilst elsewhere it has been possible to make joint public and private sector financial arrangements. In all cases, however, there is active liaison and co-operation between the interests. The political and economic infrastructure defines the variants used in each instance.
8. An examination of the presently constituted bodies of this type – for convenience referred to as a “FALCOM” – shows that those with permanent and active secretariats are best suited to bring together and synthesize group opinion in the manner necessary to achieve co-ordinated facilitation. Therefore the advantages of providing full time secretariat services for such organizations should not be overlooked. It is of course possible to achieve limited results working on a part time basis, but experience has shown that the relatively small cost of a full-time staff pays the largest dividends.
9. Each of the present organizations has realized that its programmes cannot be acted upon independently at the national level. In fact, each FALCOM stresses the need for international co-operation. The danger of isolated national action is such that investment in new methods including computers and data links by one country may be so great as to make it difficult for that country to change its system and interface with its trading partners at a later stage. Although this aspect is relevant for all countries, it is particularly important for those in process of development where investment of the kind necessary would represent a significant percentage of the country’s resources.
10. Each of the present FALCOMS also stresses the importance of reaching solutions on an intermodal basis; i.e. the approach to be used should recognize that the ultimate objective is to move goods from door to door as fast and as safely as possible at the lowest total cost.
11. The FALCOMS also recognize the value of having one contact point in each country. In formal and informal ways these countries are able to correspond and are thus able to reach solutions more quickly than would otherwise be possible.
12. *Trade procedures* are widely recognized as the activities of collecting, presenting, communicating and processing data required for international trade.
13. The objective of any FALCOM should therefore encompass the simplification of such procedures. However, it may be necessary to elaborate details of this overall objective; for example as follows:
 - (a) To reduce the cost of paperwork involved in the country’s trade by seeking, in co-operation with the interests and authorities involved, the reduction,

simplification and international harmonization of all trade documents used in the country's foreign trade.

- (b) To ensure that the information flow relating to the distribution of goods facilitates and does not impede national industrial development or growth in external trade, at the same time ensuring that the country keeps pace with and derives full benefit from the increasingly fast and sophisticated methods of international transport and communications.
- (c) To seek improvements in trade procedures and the elimination of national and international requirements which cause delay or are unreasonably costly in international transactions.

14. Special National Facilitation Committees in the field of air and maritime transport have been set up in several countries as recommended in the ICAO and IMCO Facilitation Conventions. It is not advisable, because of the difference in scope of these specialized Committees, to attempt to merge them or extend their activities into FALCOM as outlined here but rather to establish co-operation with a view to avoiding a duplication of efforts in areas where interests overlap.

II. ORGANIZING AND FUNCTIONING

15. As stated in paragraph 7 above it is necessary to create a framework for permanent consultation and co-operation between the various parties interested in facilitation of international trade – a FALCOM. Any FALCOM should include representatives from all relevant sectors of public administration as well as private interests concerned, as exemplified in paragraph 5.

16. So as to achieve highest efficiency, the FALCOM should be given a considerable degree of independence. According to the administrative organization of the country concerned, the FALCOM can either be a body attached to the highest level of government, to a body in charge of general planning, or, on the contrary, be entirely independent of the public administration. The FALCOM should in any case be capable of making recommendations or proposals in every sector concerned, public as well as private. It should also be able to pursue the implementation of its recommendations and proposals.

17. A FALCOM will require a permanent secretariat function for the organization and co-ordination of its work, even if technical expertise, etc. may have to be drawn from other sources, in a way adapted to the administrative conditions in the country.

18. Financing of the FALCOM can be provided in various ways, either completely from the State budget, or by membership contributions, or by a combination of these two forms.

III. ACTION AREAS

19. Any new FALCOM will quickly ask itself where to start. The pattern followed has been such that most of the established organizations have identified for themselves the "Trade Procedures" involved in shipments. Comparison of their findings has made it possible to establish a norm with variations according only to the political and economic structure of the country. Any new FALCOM may therefore use any of the excellent studies already conducted as the basis for its own examination. It would then be possible for the new FALCOM to complete its initial study quickly at relatively little cost.

20. This should identify for the FALCOM the data requirements and documentation used in the country's trade. From this study the FALCOM should be in a position to elaborate areas for in-depth study and priorities. It should also be in a position to contribute to the rationalization and standardization of data requirements internationally as well as nationally. Whilst the initial study is essential, the FALCOM will undoubtedly wish to give consideration to taking action in the following areas which have been identified as generally significant for most countries:

Trade document alignment

(a) Numerous commercial and government documents are required in trade and transport. As a result of the widely differing formats, separate typing of documents is unavoidable. The same information is stated in many different ways and is laid out differently on each document. This condition increases documentation costs and aggravates delays in the movement of cargo.

(b) The "FALCOM" may provide immediate relief for its national exporters by introducing an aligned documentation system whereby the sets of shipping documents may be produced in "one run", i.e. one single-typing operation on a standardized master format which is subsequently used with simple masks and inexpensive duplicators to produce the various documents required.

(c) The ECE layout key provides the most acceptable master format with sufficient flexibility to be adapted for national use. Most countries which have already introduced alignment systems have used the ECE key as the base and in so doing have found it possible to create national systems capable of reducing export documentation costs by up to 70 per cent. Considering that the present cost of such documentation in non-aligned "systems" can be as much as 10 per cent of the value of the goods being moved, the potential savings far outweigh the effort and expenditure of introducing aligned documentation.

Automatic Data Processing and Coding

(a) Depending on the degree and rate of development within a country, sooner or later that country will wish to apply the advantages of sophisticated Automatic Data Processing (ADP) to data management in the movement of that country's goods. Many developed countries are already doing this and have recognized the greater benefits to be obtained by interfacing their ADP systems with those of their trading partners. The existing FALCOMS are conscious that this bilateral and multilateral development between such countries in the area of Automatic Data Processing could (without the involvement of developing countries) create further problems for developing countries at the time when such countries wish to take fuller advantage of ADP.

(b) The new FALCOM would therefore be well advised to adopt a programme on Automatic Data Processing and Coding suitable for its home country's long range ADP plans. In the case of developing countries this programme might only be designed to define, for that country, the ultimate requirements of a national trade data information system including the definition of suitable commodity and non-commodity descriptions and codes. Such countries will undoubtedly recognize the advantage of contributing their own requirements in respect of ADP and Coding in the development of international systems whether or not that country would wish to introduce ADP at an early stage. The FALCOM in such a developing

country should therefore be able to contribute to this development and in the final analysis advise as to what the ADP requirements of that country might be.

(c) In the case of a more developed country the new FALCOM can contribute to the international development of ADP and Coding system by:

- (i) identifying its national requirements in the development of trade and transport codes and terminology where the objective is to produce internationally acceptable codes for data used in international exchange and to ensure that such requirements are recognized in the work of the relevant international organizations, e.g. the ECE and other regional Economic Commissions, CCC, etc.
- (ii) contributing to the development of national ADP systems to ensure that such systems:
 - facilitate efficient movement of cargo by mode and between modes of transport.
 - avoid incompatibility, duplication and non-standardization.
 - utilize, where possible, established international standards and influence the further development of such international standards.
 - realize interchange and compatibility of data elements both nationally and internationally.

Working Party on Facilitation of International Trade Procedures: Terms of Reference

1. The Working Party shall facilitate international trade and transport by promoting rationalization of trade procedures and the effective use for this purpose of electronic or other automatic data processing and transmission. In the pursuit of this general task, the Working Party shall in particular:

- 1.1 ensure the proper co-ordination in the field of facilitation of international trade and transport;
- 1.2 keep under review the procedures required in international trade and transport with a view to their reduction, simplification and international harmonization;
- 1.3 collect and distribute information on trade formalities, procedures, documentation and related matters;
- 1.4 promote the development of a common approach to facilitation problems and a common methodology for their solution;
- 1.5 pursue the simplification and standardization of trade documentation on the basis of the ECE layout key including documents designed for use in computer and other automatic systems;
- 1.6 promote the standardization of data contained in international trade documents, the development of a standard trade terminology and uniform codes of trade information

for use in modern methods of data transmission and processing;

- 1.7 promote, in consultation with the International Telecommunication Union, the introduction in international trade of adequate systems and installations for electronic data transmission.
- 2. The Working Party shall co-operate with relevant organizations so as to ensure the practical work on specific tasks to be undertaken in the appropriate forum and to avoid duplication of effort. The Working Party shall encourage any interested United Nations' member, which is not a member of the Commission, to participate in its work in a consultative capacity.
- 3. The Working Party shall report on its activities and progress in the facilitation of trade procedures to the Committee on the Development of Trade. It shall also transmit its report to the Inland Transport Committee on problems of joint concern.
- 4. The Working Party shall consider all proposals for specific tasks with due regard to the need to establish appropriate priorities within available resources. If necessary it may create subsidiary bodies for specific purposes.
- 5. The Working Party shall be empowered to make recommendations directly to ECE Governments.

LIST OF NATIONAL COMMITTEES ON FACILITATION OF TRADE PROCEDURES

as of September 1995

A. Trade Facilitation Committees

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Export Promotion Bureau
DHAKA

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