

## **Speech by Pascal Lamy, EU Commissioner for Trade, to the UNECE conference on trade facilitation, on Wednesday 14 May**

### **Sharing the gains of globalisation: the importance of trade facilitation**

Ladies and gentlemen, distinguished delegates. Thank you for this opportunity to address you. I congratulate the UNECE for holding this conference: the fact that it is taking place reflects the enormous amount of international attention now being rightly focused on Trade Facilitation.

This conference also comes at a timely moment. We are now preparing for the WTO's Cancun ministerial in September, where we expect to launch formal negotiations on trade facilitation. So it's a good moment to take stock, and see what is really at stake. Because all of us want to export our trading opportunities, all of us need to modernise our trade processes, and all of us want to manage our borders more efficiently. In short, all of us need to ensure that today's trade is not governed by yesterday's rules.

What I would like to do therefore is give you my take on the benefits of action on Trade Facilitation, why it needs to be tackled in the WTO, and why we need joined up thinking on this question between the WTO, the UN, the World Bank and other key organisations.

Let me start out by recapping what is at stake in dollar and cents – or Euro - terms. The potential benefits of trade facilitation on a world scale are staggering. Independent, and conservative studies suggest that improvements to trade processes could save business about three hundred billion dollars – a quarter or more of the total economic

benefits flowing from the Doha Round. And these benefits would be widely shared between all countries. Small and medium sized enterprises in developing countries are the obvious targets, since they don't have the resources to deal with procedures, red tape, delays, lack of transparency. And let's not forget that these are fixed, deadweight costs with no benefit: leakages from the system, if you will. Equally, big companies, with modern supply chains and multi-country production structures, will also derive considerable gains.

But that's not the only benefit of simple, modern trade procedures. They are also a key element in creating a helpful environment for inward investment. Ease of import and export procedures have been identified by business as a key factor in taking investment decisions.

And the cost of not taking action on the other hand is huge. If we don't adapt trade procedures to today's trading realities we will lose competitiveness. There is a risk of being marginalised and cut out of international trade flows. Instead of gaining new trade opportunities, countries may lose existing ones. Foreign direct investment might seep out instead of flowing in.

Governments also gain from trade facilitation. In terms of increasing their capacity to collect revenue. In terms of building up a good relationship with the trading community. And in terms of more efficient procedures that save administrative costs and improve border security and controls.

But I am sure I am preaching today to the converted. We all I think understand the benefits of trade facilitation. The issue as we approach Cancun is a different issue: why do we need WTO to take this important subject forward ? And how can WTO, the UN and others work together ?

Well, on the first point, by adopting WTO commitments on trade facilitation we ensure that all countries move down the path of reform together. It's easier to do something when everyone is doing it and where the gains for our traders around the world can easily be seen. Through WTO we can all go in the same direction, put in place rules that will apply globally, with massive savings to business, and avoid leaving some countries out in the cold. That, at the end of the day, is the comparative advantage of WTO commitments and it is this predictability and transparency that is valued so highly by both local and international business. Commitments in the WTO lock in and make irreversible domestic customs reforms, which could otherwise be reversed, go off track, or be blocked by short term political considerations or by vested interest groups, domestic or foreign.

Which brings me to the relationship with work in other international organisations. My own view on this is that with WTO on the scene we complete the international architecture, we add the missing piece of the jigsaw puzzle. The reality has been that while various international attempts within the UN, UNCTAD, UN-ECE, WCO, etc. to progress on trade facilitation have been laudable, and have had some results, they have not yet realised the promise of a high and more uniform level of facilitation worldwide. The WTO can provide a common frame, the political mandate, and a legal basis for common action. The WTO can create the basic framework within which other organisations can work as partners – either by setting standards, developing best practices, or delivering aid to developing countries. The work of other international organisations will also start to yield the results they were meant to yield. UNECE has of course an important role to play here.

I hope it is pretty clear from my remarks that trade facilitation is in no way a north – south issue, nor a mercantilist issue, with winners and losers, but rather its one where all WTO members will have to make some effort but where in return all WTO Members will gain.

The EU being a prime example. Our own exporters will of course benefit from easier import procedures in other countries. But equally our companies are keen to see procedures for exporting out of the EU made simpler, and both exporters to the EU and our importers are eager to see more modern and simple processes for import into the EU – faster release at the border and so on. Particularly of course when we are dealing now with the challenge of ensuring simple, coherent and modern import and export regimes across an enlarged market of 25 Members. So if the example here in Europe is anything to go by, efforts will be needed by developed countries and developing countries alike.

For developing countries and in particular the least developed ones, I do however want to stress three points. First, we must design commitments in the WTO that everyone can implement, and allow sufficient time for implementation. I have insisted on this "acid test", and believe that what is on the table meets the test. Secondly, we should not try to harmonise procedures for trade facilitation. I am more interested in rules that set us all in a common direction of reform than ones that impose a prescriptive, single solution. The road we take is as important as the final destination.

And third, we must – and will - supply trade related assistance to implement the results of negotiations. The EU will carry its part of the burden, and in fact we have pledged about 500 million euros for trade

facilitation in the next four years. Other developed countries and international organisations must also help and above all we need to coordinate it. Developing country partners must do their part of the job by integrating trade facilitation and customs modernisation in their national development strategies – and we are starting to see this, I am glad to say.

So let me conclude by saying that, with the right commitments in place in the WTO, and with a big international effort, we can make real improvements to the global trading system. Improvements that will help our market access, of course. But also improvements to a set of existing GATT rules on trade facilitation and transit that have not been looked at for fifty years, that have not kept up with the revolutionary changes in how business is done, and which are in sore need of updating.

The great irony, given the clear importance of trade facilitation, is how little attention has been devoted to it in the current Doha Development Agenda. In fact someone said to me the other day that Trade Facilitation has been the Cinderella of the Doha Round. Perhaps its time, with your help and our common effort, that its beauty is recognised, and that it gets its ticket to the ball.

Sorry I cannot be with you today in person to try on different slippers, and so on - to continue my Cindarella metaphor - but I wish your conference every success.

Thank you.

1400 words = 12 minutes or so.