

SECOND INTERNATIONAL FORUM ON TRADE FACILITATION
Sharing the gains of globalization in the new security environment

Compete and conform:
Practical measures for future trade facilitation

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Mr. Chairman,
Distinguished delegates,
Ladies and gentlemen

Introduction

I would like to thank UNECE for having invited UNIDO to speak here today. When addressing this forum last year I submitted a case for promoting a broader concept of trade facilitation to include concerns such as technical barriers to trade and supply-side constraints. I also stressed the need to meet the developing countries' technical assistance needs via inter-agency co-operation based on comparative advantage.

This year I submit that inter-agency co-operation is needed all the more in a global trade system displaying a greater sense of security. And I put forward

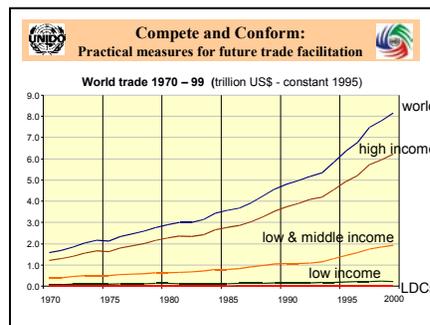
a cohesive supply-side approach as a practical means of ensuring that integrated co-operation to the benefit of the developing countries.

Potential benefits lost

Despite all the significant benefits of globalisation, long-established structures of inequality continue to expand and deepen. Appreciable economic gains for few in the world economy have been accompanied by real losses for many.

The volume of additional developing country exports to developed country markets and the associated developmental impact has been limited to say the least.

The plight of the poorest countries is quite evident in this graph. They have consistently lagged behind.



Constraints

Over the years the WTO has been extremely effective in bringing about the reciprocal removal of barriers to trade in goods and services. It is not for

want of reductions in tariffs and quotas that the developing countries have failed to benefit from the opportunities offered by global markets; the reasons clearly lie elsewhere.

As the developing countries themselves recognise, they lack:

- a) Effective industrial productive capacity needed to ensure product diversification; and
- b) Ability to comply with international standards needed to secure greater market access

Some two years ago Secretary-General Kofi Annan summarised the problem. The least developed countries, he said, had ‘neither the surplus of exportable products nor the production capacity to take advantage of the new trade opportunities’. They would need ‘substantial investment and technical assistance in order to expand their production’¹. His comments hold equally true today.

If they obtained that investment and received that assistance, the result could be (according to one estimate) an export growth rate of 15-20% or \$1.4 billion a year for the least developed countries².

Technical constraints

The developing countries not only have to improve their supply-side capacities so as to have an adequate volume and range of goods to sell; they

¹ Financial Times, 5 March 2001

² Economist, 3 March 2001

also have to compete in a highly demanding rules-driven trading system. Over and above the basic product specifications, exporting countries have to be ready to meet increasingly stringent requirements applied to goods in terms of quality, safety, health and the environment. Their inability to do so entails high actual and potential economic and social costs.

As things stand, many developing countries lack the capacity to meet conformity requirements. Their products often fail to comply with innumerable standards and regulations that are primarily intended to ensure safety and security in trade relations - in particular, from the standpoint of the consumer. In the main, these requirements take the form of:

- a) Technical barriers to trade (TBT)
- b) Sanitary and phyto-sanitary measures (SPS)

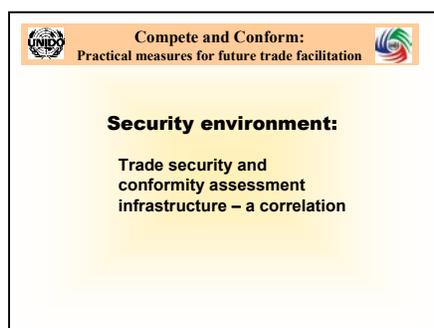


The post-Uruguay TBT and SPS agreements were specifically designed to 'ensure that technical regulations and standards do not create unnecessary obstacles to trade'. That notwithstanding, those very same regulations and standards still act as non-tariff barriers and obstruct developing country access to markets.

Practical implications

The burden of proof lies with the developing countries. They have to demonstrate compliance with international standards. Moreover, unlike tariff barriers, standards and technical regulations cannot be removed by a simple act of legislation. They are requirements that must be met.

The greater a developing country's compliance with standards, the greater its access to foreign markets. Compliance can only be achieved through testing, certification and accreditation. Furthermore, the introduction of quality management systems based on standardisation, certification and accreditation, heightens the security of the trade system. A direct correlation thus exists between trade security and conformity assessment infrastructure. In the new global environment, increased security measures are clearly called for. However, they must not be allowed to become yet another technical barrier to trade – and so impose a further burden on the developing countries.



The challenge for the developing countries becomes one of enhancing that infrastructure. Reforming and upgrading standards-setting regimes, establishing efficient testing, certification and laboratory accreditation

mechanisms that conform to SPS and TBTs and enjoy international recognition. As well as asserting themselves in standards-setting bodies.

Other constraints

In addition to the strictly technical constraints, developing country access to industrialised country markets is further hampered by shortcomings in such essential trade-related requirements and procedures as registration and documentation, customs valuation, import regulations, licensing and similar issues.

A cohesive supply-side approach

If the developing countries are to succeed in increasing their share in global manufacturing value-added³, their enterprises need to be able to produce according to client country standards and technical regulations; their products must prevail in highly competitive markets. Supply has to be capable of meeting both market demand and product standards.

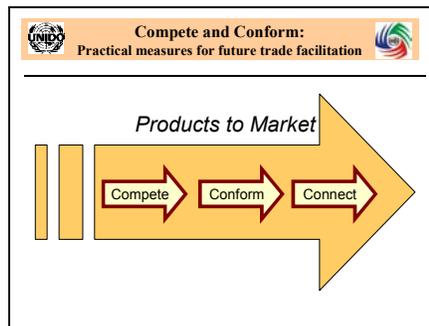
In other words, the developing countries need technology diffusion and capacity building for market access: two key areas of comparative advantage that are the very essence of UNIDO's corporate strategy.

A strategic approach to market access is called for.

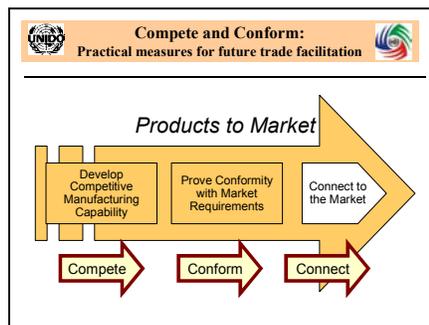
³ According to the most recent estimates, the developing countries (including China) account for a 24.5 per cent share in world total MVA (at current prices) in 2000. International Yearbook of Industrial statistics 2003, UNIDO, p. 32, Table 1.1

The prime objective of the strategy is to secure a palpable increase in the developing countries' share in global trade. This can be achieved by means of a three-pronged approach or market access chain. Its thrust is encapsulated in the phrase: the three Cs.

- **Compete**
- **Conform**
- **Connect**



In practical terms, this means:



- Developing competitive manufacturing capability

Here the focus has to be on the manufacture of products with high-export potential; enterprise upgrading; innovation; technology acquisition; increasing capacity to meet international standards and client requirements; and innovative cross-border and cross-industry partnerships.

- Proving conformity with market requirements

Here the focus has to be on upgrading the requisite standards, metrology, testing and quality infrastructure, and securing international recognition of local laboratory analysis: essential elements in any export promotion scheme.

- Connecting to the market

Here the focus has to be on integrating with the international trade framework and rules, promoting policies for the settlement of disputes and harmonising trade agreements. Not to speak of simplifying customs procedures, transportation and documentation through the effective application of information and communications technologies.

Practical applications

Meeting known needs in all three components of the market access chain would help to combat the increasing marginalisation of the developing countries. By way of illustration let me focus on the second component: conformity.

The recent WTO survey on trade-related technical assistance in the developing countries was most revealing on this point. It stressed the urgent need for building up institutional capacity and infrastructure related to standards, metrology and conformity. UNIDO has already displayed its prowess in this field. Since 2001, it has delivered more than \$15 million of trade-related technical assistance, primarily in the fields of upgrading supply capacity and strengthening standards and conformity assessment infrastructure.

For example, with EU funding, UNIDO is assisting the countries of the West African Economic and Monetary Union to set up a system for accreditation, standardisation and quality. It is also helping exporters of food products in Egypt to match consumer requirements in Europe. In Sri Lanka UNIDO assisted in developing and securing the international accreditation of five key laboratories, as well as developing national capacity for ISO 14000. In Central America the organisation is implementing a major trade facilitation programme, with emphasis on building up national capacities to overcome technical barriers to trade.

In all these instances, by ensuring that testing complies with international standards, the projects help to create sorely needed client confidence, heighten the consumers' sense of security and nurture a quality culture: ingredients essential to market access and success.

In the context of compete, conform and connect, UNIDO can provide a synergetic set of technical services in two main areas:

- Development of supply-side capacities, including environment-friendly investment and technology
- Strengthening of standards and conformity assessment infrastructure and services

These are two essential components or building blocks in the strategy that have to be combined with connectivity. If others could match these inputs, it would generate synergies in the delivery of assistance across a broad spectrum and so lend greater impetus to the common system's efforts to achieve sustainable development.

Conclusion



In conclusion, I would stress that a strategic alliance of all players is called for, with a concomitant shift from trade facilitation in the narrow sense of the term to a broader concept including supply capacity and conformity – and thus ensuring a more secure global trading system. As with all approaches, the key to success is assuring proper inter-agency co-operation and securing budgetary resources so that long-term commitments can be made - and honoured. An essential input in that process is the effective exchange of information. UNIDO thus welcomes the new United Nations

Trade Facilitation Network and the associated website, to which UNIDO will actively contribute.

Ultimately, we trust the strategy will help us to articulate a broad vision and narrow the widening gap in industrial capabilities between nations.

Technical progress has integrated the world economy on an unprecedented scale, linking products, markets and people much more closely than ever before. It is an opportunity that should not be missed. For our part, we look forward to meeting the challenges that the future holds for us all.

Thank you.