



Economic and Social  
Council

Distr.  
GENERAL

TRADE/CEFACT/2001/27  
14 February 2001

ENGLISH ONLY

---

ECONOMIC COMMISSION FOR EUROPE

**COMMITTEE FOR TRADE, INDUSTRY AND ENTERPRISE DEVELOPMENT**

Centre for Trade Facilitation and Electronic Business (UN/CEFACT)

Seventh session, 26-29 March 2001

Item 12 of the provisional agenda

**TRADE FACILITATION IN TRANSITION ECONOMIES:  
CURRENT ASPECTS AND ISSUES**

\*\*\*

Submitted by the UN/ECE secretariat

This document is submitted to the Centre for discussion.

## Introduction

1. The purpose of this paper is first, to give a general background on trade facilitation in the countries in transition from a planned to a market economy; second, to identify the major problems in this field; third, to indicate what the United Nations Economic Commission for Europe (UN/ECE) and the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) could contribute, and fourth, to highlight the mission of the UN/ECE Regional Adviser for Trade Facilitation to provide guidance and advice on the implementation in the transition economies of international standards for the facilitation of trade. The paper comprises five sections. The first section deals with the implications of the transition process for trade facilitation, the second with the facilitation of international trade procedures in the transition countries, the third with electronic business issues, the fourth with the tasks of the UN/ECE Regional Adviser for Trade Facilitation, and the fifth with some policy implications related to trade facilitation in the transition economies.
2. During the last decade, the countries in transition faced an important problem in their foreign trade activities. They had to switch their economies from centrally defined international trade procedures under the Council for Mutual Economic Assistance (COMECON) to international standards which are established in a market environment.
3. At its thirty-seventh session in March 1993 the Working Party on Facilitation of International Trade Procedures (WP.4) adopted the document TRADE/WP.4/R.899 *Trade Facilitation and UN/EDIFACT for Economies in Transition: Proposal for an ECE Programme of Assistance*. Since then, much has been done on what was recommended in terms of trade procedure simplification and harmonization and on the promotion of UN/EDIFACT in the countries in transition. Regional Advisory services were provided to WP.4 in 1994 to assist transition economies in the implementation of the UN/ECE trade facilitation Recommendations. A UN/ECE survey in 1999 indicated that the UN Layout Key for Trade Documents (Recommendation 1) had become the national standard in such countries as Bulgaria, the Czech Republic and Slovenia.
4. The situation has significantly changed in recent years, however, and this calls for a re-definition of priorities and identification of new directions for trade facilitation activities. Many countries in Central and Eastern Europe are in an active stage of negotiations for accession to the European Union. Some are recovering from deadly international and internal conflicts. The Central European Free Trade Association (CEFTA) was established in 1993 and now has a strong impact on international trade in the area. The World Trade Organization (WTO), to which all transition countries have acceded or aspire to accede, has created a new trading environment. Accession to WTO, and for some countries of central and southeast Europe to the European Union (EU), is a factor of harmonization in the region. The actors in the field of trade facilitation have changed. Governmental agencies and non-governmental organizations have been reformed. The business community itself has changed: centrally controlled foreign trade in the COMECON era has largely given way to private companies, including multinationals, small and medium-sized enterprises. A multitude of regional initiatives such as the Central European Initiative (CEI), the Southeast European Cooperative Initiative (SECI), the Stability Pact, the Black Sea Economic Cooperation initiative, and the United Nations Special Programme for the Economies in Central Asia (SPECA) have been set up. UN/CEFACT, hosted by the UN/ECE, has taken over the activities of WP.4. Much new work on facilitating trade procedures and setting standards for electronic business has been done. Hence the necessity to reflect this in the approach to trade facilitation in transition economies.

5. As during the first decade of transition the various countries faced different trade environments and economic and political conditions,<sup>1</sup> it seems that for the purposes of this analysis three groups of countries should be identified:
- Countries which have “graduated” from transition and are advancing towards EU membership. These countries may now themselves become donors and share their expertise in trade facilitation with others and with other potential donors in order to identify needs and means of assistance. Such a role is exemplified by the technical assistance project conducted in cooperation between the Czech Republic and UN/ECE<sup>2</sup>;
  - Countries that have gone through a significant part of their transition. As a rule, these countries are establishing national trade facilitation bodies and participate in regional trade facilitation initiatives;
  - Countries which still need to define priorities in their transition and which are building up the infrastructure and awareness that would lead to trade facilitation.
6. Moreover, it is necessary to analyse the practical implications for trade facilitation in the transition economies from the perspective of each particular country’s tradition and experience. It should be taken into account that even within the three groups differences among individual countries, even among neighbors, may be substantial. The feedback concerning trade facilitation which was received by the UN/ECE secretariat from countries in transition indicated such typical problems as lack of coordination of the activities of various institutions; lack of interest among small and medium-sized enterprises and lack of willingness among them to bear part of the cost for providing a public good; slow implementation and lack of harmonization of electronic tools in international trade. A recent study within the framework of Working Table II of the Stability Pact indicated slow licensing and registration procedures, cumbersome technical barriers to trade (TBT), sanitary and phytosanitary (SPS) and quality control measures as a widespread and costly problem impeding trade flows in the western Balkans. In general, trade facilitation faces the classical problem of any public good – the difficulty of defining who will be able and willing to bear the cost of providing it. Thus raising awareness of the benefits of the public good is a cornerstone in trade facilitation. The World Bank report on Trade Facilitation in the Caucasus (October 2000) emphasized the particular importance of overly bureaucratic procedures and rent-seeking activities, a problem that hampers trade in varying degrees in the various transition economies.

### **Trade Facilitation Issues in the Transition Process**

7. During the past decade, economies in transition faced inadequate, and in some cases, declining, levels of international trade. This inhibits the development of their economies and impedes their integration into the larger world economy. Many of these countries are attempting to develop adequate procedures and laws regulating the independent export/import activities of private and public enterprises. The new procedures and laws have to replace the old centrally planned system, with all the necessary transformations in technology, legislation and, last but not least, the human

---

<sup>1</sup> Since 1989, the following States members of UN/ECE have been defined as transition economies: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Poland, Republic of Moldova, Romania, Russian Federation, Slovakia, Slovenia, Tajikistan, The former Yugoslav Republic of Macedonia, Turkmenistan, Ukraine, Uzbekistan and Yugoslavia.

<sup>2</sup> The cooperative project carried out by the national trade facilitation body of the Czech Republic, FITPRO, and UN/ECE focuses on providing expertise from the Czech Republic for the establishment of trade facilitation bodies, raising public awareness about trade facilitation, establishing a network of contacts, developing expert studies and pilot projects. In 2000 beneficiaries from this project were Belarus, Ukraine and Lithuania, while there is a proposal to extend the project for the year 2001 to the Republic of Moldova and/or Kazakhstan.

capital in public and private employment. Newly independent States are facing the task of establishing and managing new international borders, as well as regulating “international” trade, which was previously managed centrally. The competitiveness of goods from economies in transition suffers from problems such as slow and inefficient procedures, unpredictable transport costs and lack of on-time delivery and other customer services.

8. The new administrations are facing shortages of administrative, technical and legal expertise and technical and human resources. They are looking for guidance and models, as in the process of constructing their institutions and rules they tend to repeat “old errors” already solved by other countries. To improve this situation, steps should be taken to:
  - increase the involvement of all countries in developing global trade facilitation measures;
  - assist transition economies in eliminating obstacles to the introduction of electronic business solutions.

### **Facilitation of Procedures**

9. Since 1990, the transition economies, and the Commonwealth of Independent States (CIS) in particular, have faced difficulties with regard to fast clearance of goods at the borders and optimizing the processing of documentation at various offices. For those States which had established borders before 1989 the nature of customs operations changed. For the new States with newly instituted international borders the creation of an entirely new infrastructure has become a necessity. Some purely logistical problems persist, such as creating new border crossings hundreds of kilometers away from pre-existing supply of water, electricity, food and police offices or increasing the staff of national Customs Administrations by 500-600 per cent in some cases.
10. Governments in these countries are willing to establish modern commercial borders using modern systems and methods, and there has been a positive response on the part of the Western trading partners, and the European Union in particular, to help them do so. In order for this assistance to be effective, however, it should be packaged in more comprehensive programmes involving fewer ad hoc solutions. One positive example is the diagnostic studies programme instituted by the World Customs Organization (WCO), which helps national administrations analyse their own problems and determine the best solutions. The WCO has set up a database indicating the assistance required and work to be done in many administrations. Finally, the administrative, transport and warehousing infrastructure related to international trade is in serious need of development. The practice in many cases is that assistance for the improvement of infrastructure is linked to the commitment of the respective countries in transition to modernize their international trade procedures.
11. Recommendations on the facilitation of international trade transactions, many of them developed by the UN/ECE, already exist. However, there is not enough awareness of these recommendations on the part of trade operators, and, too often, not on the part of technical assistance providers to the transition economies. Consequently, “procedures” continue to be an indirect trade barrier whose effects are often reflected in increased, or unpredictable, processing times, which have a cost and a negative impact on trade competitiveness that is real but difficult to measure.

12. In compliance with the trade facilitation Recommendation No. 4: *National Trade Facilitation Bodies*,<sup>3</sup> adopted by UN/ECE WP.4, most countries in Central and Eastern Europe have created national trade facilitation bodies ("PRO" committees). The work on the joint trade facilitation project between the Czech Republic and UN/ECE has indicated some of the major lessons and recommendations for setting up and operating a successful work programme in a national trade facilitation organization in a transition economy.<sup>4</sup>
13. The Southeast European Cooperative Initiative (SECI) has assisted the establishment of national "PRO" committees to mobilize public and private sectors to simplify procedures and otherwise facilitate trade. The Governments of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Romania and the former Yugoslav Republic of Macedonia have each solicited financial assistance from the World Bank for one project each to improve the infrastructure at their border crossings and one of the conditions for accepting the project was that they improve trade procedures. The projects are planned for three years, starting in the fall of 2000. Again with reference to trade facilitation in Southeast Europe, Working Table II of the Stability Pact has set up a Working Group on Trade Liberalization and Trade Facilitation, which will draft, by the end of June 2001, a Memorandum of Understanding on Trade Liberalization and Trade Facilitation between Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro (as part of Yugoslavia), Romania, and Yugoslavia.
14. Developing national trade facilitation bodies, pursuant to the UN/ECE Recommendations, is on the agenda of international trade activities in the Russian Federation and other countries of the CIS. In this context, the expertise of UN/CEFACT, SECIPRO, FITPRO and the other established national trade facilitation bodies cooperating with UN/CEFACT may become very useful for these countries.

### **Electronic Business**

15. Transition economies face problems in implementing modern information and communications technologies (ICT). In some cases companies develop electronic means to facilitate their trade transactions, but Customs and other agencies are not equipped to deal with them. In general, these countries have qualified ICT specialists and the challenge is to use part of this potential for trade facilitation.
16. In Russia, for example, a number of companies provide ICT solutions for businesses (mostly business-to-business), using a pool of well-trained ICT specialists. Some businesses (e.g. the GUM store in Moscow with its new web site) successfully use Internet. There is no unique standard for messages, most companies bilaterally agree on the terms. XML is in use. A number of companies, working with the representative office of Microsoft, are developing an XML standard for Russia (adapted to the local requirements). Companies providing ICT solutions for traders in Russia work with their clients with XML. UN/EDIFACT, however, is not widely used in the Federation.

---

<sup>3</sup> See [www.unece.org/cefact/rec/rec4en.htm](http://www.unece.org/cefact/rec/rec4en.htm)

<sup>4</sup> See UN Document TRADE/CEFACT/2001/32

17. A key problem for the automation of foreign trade activities in the Russian Federation is the fact that Customs are not equipped for such operations. If a company prepares a foreign trade operation through electronic means, the automated chain often breaks at the Customs. The Customs administration requires five different forms to be filled and handed in by the trader. One of the major problems is the lack of a legislative basis. The adoption of a Law on Electronic Signatures and a Law on Electronic Documents is expected but, for the time being, the customs officers insist on their old requirements.
18. Other transition economies are experiencing similar problems. At its meeting in Istanbul on 16 and 17 October 2000, the Stability Pact launched a project aimed at developing the infrastructure for electronic business, such as electronic networks, accompanying reforms to modernize business and government procedures, which will be part of the development and reconstruction in the region.<sup>5</sup> A first meeting within the framework of this project, called eSEE (e-Southeast Europe), took place in Zagreb in January 2001.
19. The rapid pace of change in information and communication technology could widen even further the so-called digital divide between countries. More and more countries and enterprises, especially large multi-nationals, facilitate their trade operations by discontinuing the use of paper documents and by moving to modern means of electronic exchange of information in their commercial transactions and in the clearance of their goods. As large companies begin to require their partners to communicate business information via electronic means, enterprises in countries in transition which do not have these capabilities find themselves at a competitive disadvantage. Increasingly, international supply chains dominate trade in the region, and without adequate training and technology, the transition countries will face exclusion from a major trend on the world market.

### **Regional Advisory Services**

20. The principal objectives of the activities of the UN/ECE Regional Adviser on Trade Facilitation are to increase awareness of trade facilitation issues and act as a catalyst for trade facilitation in countries in transition. The Regional Adviser has been proactive in supporting the establishment of national trade facilitation bodies in these countries. He has been actively participating in seminars and workshops, and developing information materials to be used for trade facilitation education and training.
21. Recently, the Regional Adviser has been instrumental in promoting major trade facilitation initiatives in the transition economies, especially in Southeast Europe, Central Asia and the other countries of the CIS. He is the focal point of the trade facilitation segment (SECIPRO) of the Southeast European Cooperative Initiative (SECI).<sup>6</sup> He provides the secretariat for the Regional Steering Committee of the Trade and Transport Facilitation project for Southeast Europe (TTFSE), realized within the SECI framework and supported by the World Bank.<sup>7</sup> He has been particularly active in promoting trade facilitation in Working Table II (economic and commercial issues) of the Stability Pact for Southeast Europe. In cooperation with other institutions, he is making an important contribution to the trade and transport facilitation activities of the UN Special Programme for the Economies of Central Asia (SPECA).<sup>8</sup> He is also one of the key contributors to the joint project of the Czech Republic and UN/ECE for trade facilitation in the transition economies, whose beneficiaries are, or are planned to be, Belarus, Kazakhstan, Lithuania, the Republic of Moldova and Ukraine.

---

<sup>5</sup> <http://www.stabilitypact.org/WT-2/Sector%20on%20E-Initiative.htm>

<sup>6</sup> For more information please refer to the web site of SECIPRO: <http://www.unece.org/secipro>

<sup>7</sup> For more information please see: <http://www.seecon.org/index.html>

<sup>8</sup> For more information please see: <http://www.unece.org/speca>

22. The transition economies still need to address essential problems mainly regarding the improvement of international trade procedures, but also in the advancement of electronic business. The Regional Adviser has played and is expected to play an important role in the provision of knowledge and networking in this field.

### Policy Considerations

23. In its role as a regional commission of the United Nations the UN/ECE is responsible for helping its members with economies in transition tackle their current difficulties. Trade facilitation is an area where UN/ECE has expertise and can provide assistance. If no assistance is provided to countries in transition *before* they have all of their procedural and juridical infrastructures for international trade in place, the errors made in the meantime will have lasting effects on their economies and will be much more difficult and expensive to correct. The UN/ECE secretariat therefore recommends that trade facilitation measures, adapted for the countries in transition, should be promoted more strongly.
24. It is particularly important that economies in transition include trade facilitation and electronic business development projects in their policy-making activities. The Government of the former Yugoslav Republic of Macedonia, for example, is promoting an “E-Macedonia for All” project which will assist the creation of a national Centre for Digital Economy and a number of start-up Internet companies. Working with the UN/ECE Team of Specialists on Internet Enterprise Development, the former Yugoslav Republic of Macedonia is organizing on 3 and 4 May 2001 a forum promoting the wide use of Internet in the national economy.<sup>9</sup>
25. The use of trade facilitation techniques may act as a catalyst for economic growth. Arguably, trade facilitation should become part of a national economic policy. An industrial policy incorporating trade facilitation techniques should include measures to facilitate business investment, improve public infrastructure (e.g. telecommunication networks), and promote research, education and training in this field.

### Conclusion

26. The United Nations, through UN/CEFACT, supports activities dedicated to improving the ability of business, trade and administrative organizations, from developed, developing and transitional economies, to exchange products and relevant services effectively. A more active stance of UN/CEFACT in promoting trade facilitation in the transition economies would correspond to the regional mission of UN/ECE and to the global remit of UN/CEFACT.

---

<sup>9</sup> For further information, please contact Mr. Daewon Choi, secretary of the UN Team of Specialists in Internet Enterprise Development, at [daewon.choi@unece.org](mailto:daewon.choi@unece.org)

27. Facilitating international trade in transition economies is a multifaceted task. It is recommended that UN/CEFACT should work with the transition countries to promote:

- fine-tuning its up-to-date practical products and presenting them in the most acceptable way to the economies in transition, such as the UN Layout Key for Trade Documents (Recommendation 1), codes for trade data, the updated Compendium of Trade Facilitation Recommendations, the revised Recommendation No. 18: *Facilitation Measures Related to International Trade Procedures*, Recommendation 31: *The Electronic Commerce Agreement*, the new Recommendation suggesting a model Code of Conduct in electronic commerce, solutions for electronic data interchange, including UN/EDIFACT and electronic business XML (ebXML);
- building capacity, setting up the organizational structure, raising awareness, training trainers, experts and diplomats in the field of trade facilitation, working together with other divisions of UN/ECE;
- establishing a network within the transition economies (Governments, businesses and NGOs), which will provide feedback on the utility and practical implementation of the products of UN/CEFACT in transition economies. UN/CEFACT can interact with the trade facilitation segments of the Stability Pact, SECI, SPECA, the TTFSE project, etc.

28. UN/CEFACT should thus consider addressing the practical implications of providing recommendations and standards for harmonization of trade procedures to the countries in transition. First, the transition countries should be involved on a larger scale in developing the standards and recommendations for trade facilitation. Second, UN/ECE, UN/CEFACT and the Regional Adviser on Trade Facilitation will have to contribute even more to the concrete implementation of the standards and recommendations in the countries in transition. There would be a significant cost to not involving these countries in the process of standard setting and treating them just as standard takers.

29. The main areas where contributions to trade facilitation in transition economies can be made include the following:

- Updating the information on the needs of the transition economies in trade facilitation with a view to helping Governments, the business community and potential donors to devise and implement projects of technical assistance. This has to be based on an analysis of the “international trade infrastructure” and an evaluation of the major requirements and potential solutions;
  - Developing educational materials and training of experts in the facilitation of trade procedures and electronic business;
  - Assisting in the establishment of national trade facilitation bodies, especially in the countries of the CIS, using the lessons from the experience in Central and Eastern Europe and SECIPRO;
  - Offering expert advice in the field of simplifying and harmonizing trade procedures and in the implementation of electronic tools in international trade;  
Providing assistance on the basis of the expertise within UN/ECE and UN/CEFACT in legal, procedural and documentary trade facilitation and in developing international standards for electronic business, including UN/EDIFACT and latest technological solutions.
-