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Item 6 of the provisional agenda

TOWARDS AN INTEGRATED STRATEGY FOR UN/CEFACT

Draft Proposal by the Secretariat

The Bureau has developed this document for the 12th session of the UN/CEFACT Plenary **for discussion**.

The document outlines the integrated trade facilitation and electronic business framework for UN/CEFACT to achieve its mission.

The strategy is based on the following approved documents:

- TRADE/R.650/Rev.4 Mandate, Terms of Reference and Procedures for UN/CEFACT
- TRADE/CEFACT/2005/6 Trade Facilitation Strategy and Action Plan for 2005-2007
- TRADE/CEFACT/2005/7 UN/CEFACT Electronic Business Strategy
- TRADE/CEFACT/2005/8 UN/CEFACT Draft Programme of Work 2004-2007
- TRADE/CEFACT/2004/11 Consolidated Group mandates and Terms of Reference

Preamble

UN/CEFACT's Vision is "Simple, Transparent and Effective Processes for Global Commerce." The mission¹ of the Centre is to improve the ability of *business, trade and administrative organizations*, from developed, developing and transitional economies, to exchange products and relevant services effectively. *Its principal focus is on facilitating national and international transactions*, through the simplification and harmonization of processes, procedures and information flows, and so contribute to the growth of global commerce.

UN/CEFACT's mission supports UN Millennium Development Goal 8 to "develop further an open trading and financial system that is rule-based, predictable and non-discriminatory and includes a commitment to good governance, development and poverty reduction – both nationally and internationally"².

The Centre is mandated to develop international standards, recommendations and tools³ and undertake a programme of work of global relevance that meets current and future demands as required by its mission.

Definitions

Business: A series of processes, each having a clearly understood purpose, involving more than one organization, realized through the exchange of information and directed towards some mutually agreed upon goal, extending over a period of time. (Open-edi Reference Model Standard – ISO/IEC 14662)

Electronic Business: A generic term covering information definition and exchange requirements within and between enterprises, including customers. (Memorandum of Understanding between IEC, ISO, ITU and UNECE concerning standardization in the field of Electronic Business)

Procedure: Instructions, practices and formalities involved in collecting, presenting, communicating and processing data required to fulfil a goal. (Facts about the Working Party on Facilitation of International Trade Procedures TRADE/WP.4/Inf.91)

Trade: The ability of business, trade and administrative organizations to exchange products and relevant services effectively. (Mandate, terms of Reference and Procedures for UN/CEFACT, TRADE/R.650/Rev.4)

Trade Facilitation: The simplification, standardization and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make payments. (Trade Facilitation Strategy and Action plan for 2005-2007, TRADE/CEFACT/2005/6)

I. Introduction

1. This document integrates into a single approach the two streams of activities of UN/CEFACT: trade facilitation and electronic business. It is based on the Trade Facilitation Strategy, Electronic Business Strategy, and Programme of Work⁴ approved by the Centre in 2005. It is intended to be a management tool

1 Mandate, Terms of Reference and Procedures for UN/CEFACT, TRADE/R.650/Rev.3, 18 August 2004.

2 UN Millennium Development Goals, www.un.org/millenniumgoals, October 2002.

3 Trade facilitation standards, recommendations and tools are often collectively referred to as trade facilitation instruments. The two phrases are used interchangeably through out this document.

4 As approved by member States at the UN/CEFACT Plenary in July 2005 – Trade Facilitation Strategy and Action plan for 2005-2007 TRADE/CEFACT/2005/6, UN/CEFACT Electronic Business Strategy TRADE/CEFACT/2005/7, and UN/CEFACT Programme of Work 2004-2007 TRADE/CEFACT/2005/8.

for the Centre's Programme of Work. It explains the work of the Centre; its mission, activities, outputs, and organization.

2. Efforts to foster trade facilitation⁵ stem from the realization that goods cannot move faster than the processes and information that accompanies them. Business, trade operators and governments generate this information as part of the processes associated with the movement of goods, transfer of services and related financial flows. In some cases, national regulatory authorities amend or add formalities, without consideration of the effect such changes may have on the overall trading system. This can easily lead to incompatible or inefficient regulations, information requests and controls. The consequence can often worsen congestion at airports, seaports and inland surface terminals. This generates additional costs, estimated at 2-4% of the total value of world trade⁶. These costs further discourage small and medium-sized enterprises (SMEs) from considering trading internationally.

3. To simplify trade, the Centre's principal activities are at the microeconomic level, the nuts and bolts of international trade. Its products and services ease the movement of goods from seller to buyer, including payments. Some well-known instruments include: the United Nations Layout Key for Trade Documents, which is the international standard for the layout and content of trade documents; UN/EDIFACT, the international standard for Electronic Data Interchange for Administration, Commerce and Transport; and recommendations for the codification of trade information⁷.

4. New challenges are emerging for companies operating in international trade. They include, the requests for advance information imposed by security authorities, and the increasing complexity and geographic extension of international supply chains. Meeting these challenges requires taking advantage of information and communication technology. UN/CEFACT's electronic business strategy objective is to develop trade facilitation instruments that can be used in 'off-the-shelf' business software solutions. They will provide efficiency gains, encouraging SMEs, transition and developing economies to engage in international trade. They are of direct relevance for new initiatives of governments in areas such as e-government and on-line taxation.

II. Facilitating national and international trade transactions

A. Reference Model of the International Supply Chain

5. For a product to remain competitive on foreign markets, the cost of the commercial transactions must be as low as possible. The tools of Supply Chain Management, which attempt to deal with the whole series of activities involved in trading goods, are essential in this regard. However, they need to be complemented by effective procedures at national frontiers, so that no unforeseen or undue delays occur and no unexpected additional costs are incurred.

5 Recommendation 4 – National Trade Facilitation Bodies and Recommendation 18 – Facilitation Measures related to International Trade.

6 The submission of the customs declaration form creates annual costs of EUR 766 million for German companies. The average declaration costs are EUR 31 and around 24 million declarations are submitted each year.
<http://www.ftd.de/politik/deutschland/60359.html>

7 All UN/CEFACT recommendations and standards are available for download without charge on the UN/CEFACT website at: http://www.unece.org/cefact/recommendations/rec_index.htm.

6. Bringing a transaction satisfactory to its close relies on the efficient execution of a series of processes extending from the seller to the buyer. These activities can be described as follows: *the customer recognizes the need for a product or service, gathers market intelligence on suppliers, establishes contracts with selected suppliers, places an order, the product is shipped according to the agreed terms of delivery, all the requirements of authorities are met and the customer pays the supplier according to the agreed terms of trade.* All of the above requires the exchange of information among all parties involved.

7. This approach clearly widens the scope of trade facilitation. From an issue focusing on commercial documentation and Customs procedures, it extends to the activities between the seller and the buyer. To assist in analysing and understanding processes, procedures and transactions, the Centre developed a Reference Model of the International Supply Chain (figure 1). This provides a high-level view of the activities involved in international purchasing and supply.

8. The activities are divided into 5 main trade and business processes:

- Identifying potential trading partner;
- Establishing business agreement;
- Ordering the goods or services;
- Shipping the goods, and
- Making the financial arrangements.

They involve a number of parties, as shown in the figure below, grouped into: Customer, Supplier, Authority, and Intermediary.

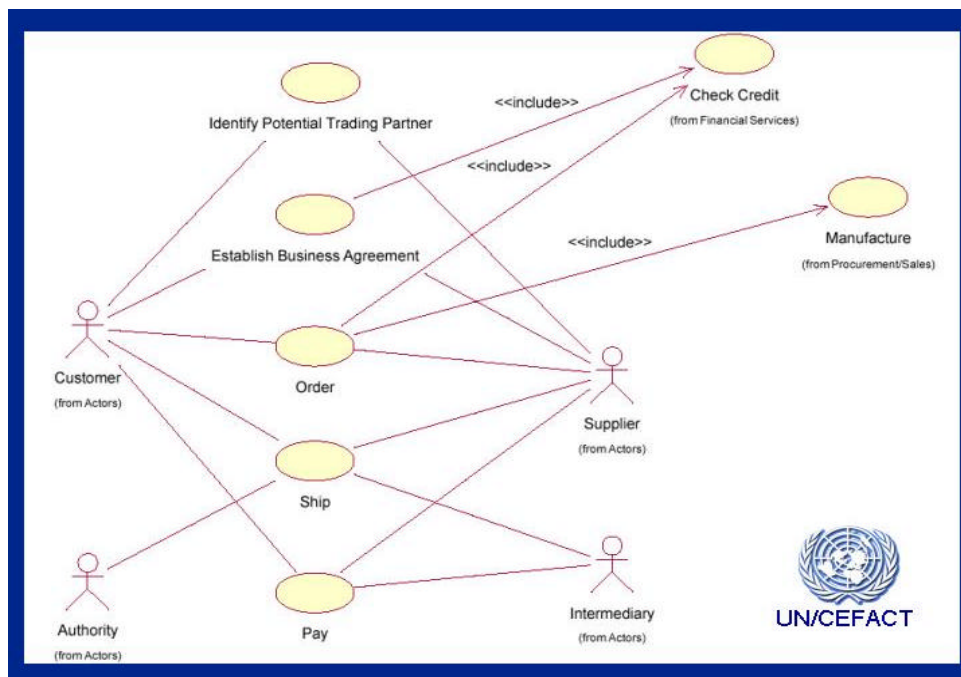


Figure 1. Reference Model of the International Supply Chain⁸

⁸ This is a Use Case diagram: purchase and supply internationally, TBG14, Reference Model of the International Supply chain with special reference to Trade facilitation and security.

9. The Model can be further simplified and represented by three trade and business processes: "Buy", "Ship" and "Pay". "Buy" groups the activities of: identifying a potential trading partner, establishing a business agreement, and ordering. Of the three, "Ship" is the most complex. It is further broken down into five activities for preparing and carrying out the import, export and transport of goods.

10. The graphical representation of the Model, along with an outline of the Commercial, Transport, Regulatory and Financial procedures, is shown in figure 2.

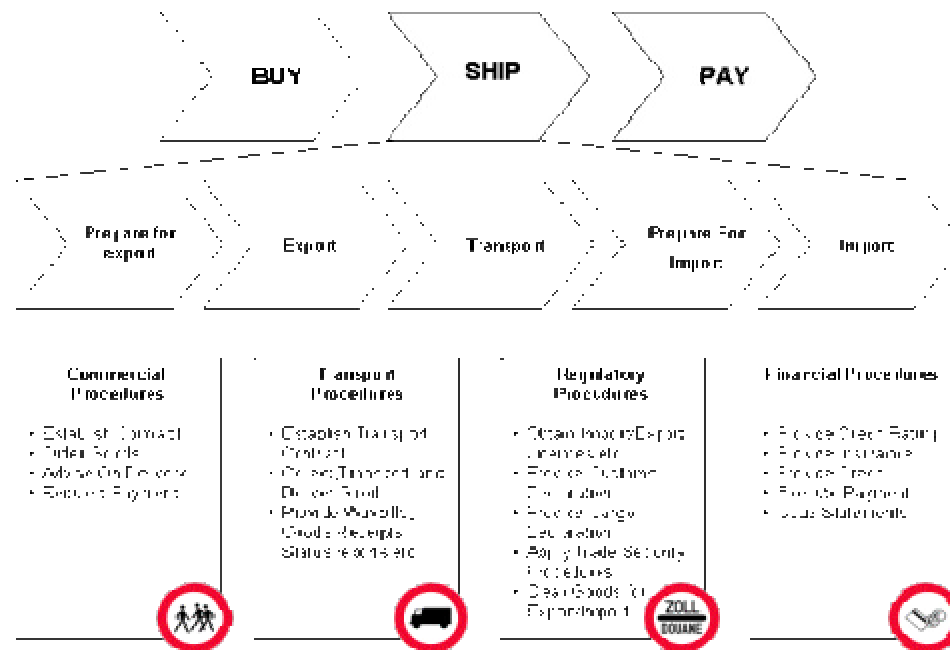


Figure 2 International Trade Transaction Model

11. This view of the international trade transaction encompasses both border-crossing procedures and other government, commercial and transport processes. UN/CEFACT recommends applying a *total transaction approach*, which results in improved business processes, as well as optimizing the level of government control.

B. Trade facilitation

12. Trade facilitation aims at developing a transparent and predictable environment for the total international trade transaction chain. The major elements influencing trade processes are: the commercial terms of business, the product characteristics, and the individual countries' regulations. They are further affected by security considerations during the physical movement of goods and the information exchange that supports all of these processes. This is shown in figure 3.

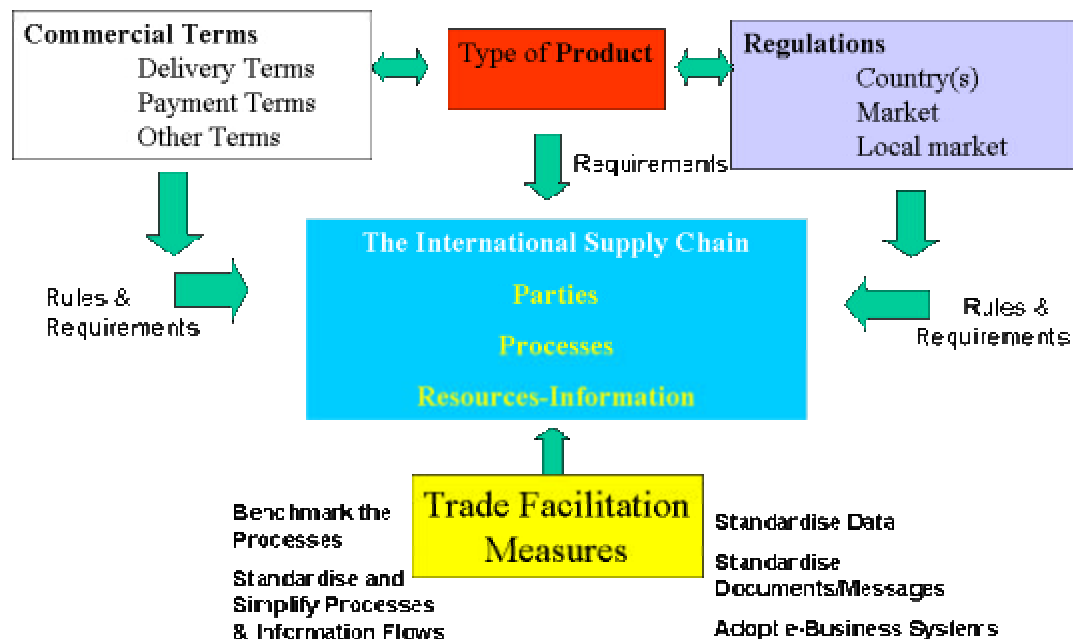


Figure 3 Major elements influencing trade processes

13. The primary goal of trade facilitation is to reduce the transaction costs and complexity of international trade by making the processes easier, more efficient and more cost effective. Trade facilitation measures:

- simplify and harmonize trade procedures (and where possible, eliminate unnecessary ones);
- simplify, standardize and harmonize the many documents required for a trade transaction;
- simplify and coordinate administrative procedures at border crossings (Customs, Health, Safety and Security);
- ease the flow of information that controls the goods throughout the transaction process (e.g. by applying information and communication technology (ICT), standardized electronic data elements);
- simplify payment systems to ensure that the seller gets paid;
- enhances trust assessment through a better exchange of information.

C. Electronic Business

14. The evolution in the use of the Internet affects the way we view the enterprise boundaries and business processes. Traditionally, companies have tended to look in detail at their internal operations. They considered external relationships with their customers and suppliers as relatively difficult to alter. In recent years, they are seeking to exploit their competitive advantages throughout the trade transaction chain, in a wide range of locations. This is due to the introduction of new ICT, new transport technologies, the opening of the world economy to trade, and the pressure of competition.

15. Enterprises place much emphasis on the effectiveness of the business processes they use in order to operate. This involves examining the information required for effective decision-making, at each stage of the transaction. By thinking across the total transaction chain and using ICT, companies can break down existing processes into smaller, more effective activity areas. It is this coming-together of business process and information technology that provides a new way of facilitating trade.

16. To simplify trade and business processes, UN/CEFACT recommends applying the three fundamental principles of:

- Cross-sectoral analysis (which promotes interoperability, reuse and supply chain synchronization);
- Business process and information modelling (which captures user requirements, independent of any specific technology);
- Mapping to new ICTs as they emerge.

17. The vast breadth of business knowledge can be captured in process and information models, which are independent of the technology used for exchanging information. This strategy deals efficiently with variations in both business practices and information technology.

III. UN/CEFACT integrated strategy

18. UN/CEFACT draws up and maintains recommendations, standards and technical specifications for trading and business, and in doing so:

- applies a *total transaction approach* when working for the elimination of constraints;
- simplifies procedures and documents, encompassing both border-crossing and other government and commercial processes;
- captures business knowledge in process and information models;
- maps these models to new information technologies as they emerge.

19. UN/CEFACT's Programme of Work focuses on the following three key work areas:

- a) Facilitating national and international trading and business transactions and working towards the elimination of constraints
- b) Engaging in open dialogue;
- c) Improving the ability of business, trade and administrative organizations to exchange products and relevant services effectively.

IV. Programme and organization of work

20. To achieve its mission, the Plenary established an organizational structure at its ninth session in 2003, with five Groups meeting biannually in a UN/CEFACT Forum. The five groups are as follows:

- International Trade and Business Processes Group (TBG);
- Applied Technologies Group (ATG);
- Information Content Management Group (ICG);
- Legal Group (LG);
- Techniques and Methodologies Group (TMG).

21. Experts from the various business, trade, and government sectors involved, develop and maintain UN/CEFACT's products and services. They analyse and work for the elimination of constraints to international trade and commercial and governmental processes.

22. UN/CEFACT undertakes specific activities in three work areas:

KEY WORK AREA I: FACILITATING NATIONAL AND INTERNATIONAL TRADING AND BUSINESS TRANSACTIONS AND WORKING TOWARDS THE ELIMINATION OF CONSTRAINTS

Activity 1.1: Analyze and understand key elements of international processes, procedures and transactions for each Trade and Business Domain

Description: For each Trade and Business Process Sector, capture and document business and trade facilitation requirements in a format where they can be analysed, generalised, preserved, communicated and transmitted.

Deliverables:

- New draft UN/CEFACT recommendations, implementation guidelines and other relevant instruments for trade facilitation including best practices and implementation guidelines
- Business and governmental domain definitions
- Definitions of common business and governmental processes (including reference models);
- Core Component definitions
- Cross domain business and governmental projects
- Standards for electronic documents for trade (UNeDocs)
- Guide to Trade Facilitation Implementation, and Guide to Trade Facilitation Benchmarking;
- Validated technical specifications
- Documentation of business and governmental requirements for changes to syntax solutions
- Analysis, research and review of legal processes and issues
- Development, publication and promotion of guidelines supporting best legal practice
- Maintenance of UN/CEFACT Recommendations:

Lead groups: TBG, LG

Activity 1.2: Identify trade facilitation needs and priorities

Description: For each Trade and Business Process Sector, identify trade facilitation needs and priorities of governments and business and then develop suitable instruments to address them. Assessment of these needs will be done on a regular basis through contacts with both governments and business organizations.

Deliverables

- Harmonised business and governmental requirements (e.g. harmonisation of cross-domain process models and core components)
- Identification of constraints to more effective legal processes and procedures
- Practical proposals for the removal of such constraints

Lead groups: TBG, LG

Activity 1.3: Monitor technological and methodological developments

Description: Research and evaluate information and communication technologies and techniques, and develop standards and methodologies to assist UN/CEFACT to fulfil its mission.

Deliverables:

- UN/CEFACT Modelling Methodology (UMM) Specification
- Unified Modeling Methodology (UMM) User Guide
- UMM Introductory Presentation
- Business Collaboration Patterns and Monitored Commitments Specification
- Business Collaboration Protocol Specification
- Business Entity Library Specification
- Business Process Information Model Exchange Schema Specification
- Business Process Schema Specification
- Common Business Process Catalogue Specification
- Core Component Technical Specification
- Core Components Supplementary Documentation
- Business Reference Information Model Specification
- eBusiness Architecture Specification
- Proposals, including draft recommendations, for review and approval by the UN/CEFACT Plenary

Lead group: TMG

Activity 1.4: Bridge the gap between paper and electronic business documents

Description: Create and maintain the trade, business and administration document structures that are based on a specific design, assembly and production of syntax technology or standard.

Deliverables:

- Technical assessment and maintenance of syntax specific solutions through the application of Data Maintenance Requests against existing publications
- A series of coherent, consistent and normalised syntax solutions that are aligned with domain reference models for publication, i.e.:
 - UN/EDIFACT messages and their support directories;
 - XML Schemas
 - UNeDocs
- Procedures for the maintenance of syntax solutions
- Mechanisms for ensuring the quality of syntax solutions
- Technical specifications detailing the design and production rules, guidelines and checklists, that shall be applied when developing and maintaining the various syntax solutions, including syntax specific UML profiles
- Proposals, including draft recommendations, for review and approval by the UN/CEFACT Plenary

Lead group: ATG

Activity 1.5: Ensure technical quality of recommendations, standards and technical specifications

Description: Ensure highest Technical Quality of UN/CEFACT standards and recommendations.

Deliverables:

- A series of coherent, consistent and normalized reference libraries comprising the business requirements, information objects and code lists which are aligned with the domain reference models and serve as the building blocks for the development of standards for implementation
- Validating before release the conformance of technical specifications with the corresponding publication guidelines and the conformance of approved syntax specific information objects and components with their syntax rules
- Processes and procedures for the maintenance of the libraries
- Mechanisms for ensuring the quality of the library contents
- Proposals, including draft Recommendations for review and approval by the UN/CEFACT Plenary
- Maintenance of UN/CEFACT recommendations

Lead group: ICG

KEY WORK AREA II: ENGAGING IN OPEN DIALOGUE

Activity 2.1: Trade Facilitation within the WTO framework

Description: Ensure that the Centres' instruments are fully considered in the WTO negotiations on trade facilitation and are utilized to the fullest extent possible in any related outcome.

Lead groups: Bureau, TBG

Activity 2.2: Trade facilitation and cross-border transactions

Description: To promote the development of information and documentary standards to support the advance presentation of cargo information. The needs and requirements of industry and governments for standards related to supply-chain security management could also be explored.

Any work emanating from this will be driven by trade requirements and demands and will be coordinated with the World Customs Organization (WCO) and other relevant organizations.

Lead groups: Bureau, TBG

Activity 2.3: Work closely with the UNECE Committee for Trade and other parts of the UNECE and the UN

Description: To identify areas and work under the UNECE Committee on Trade that could be used to reinforce trade facilitation, such as regulatory convergence and the analysis of regional trade agreements and technical barriers to trade. Also to look at the work on agricultural standards where there is domain expertise related to inspection requirements. Stronger links also need to be developed with the UNECE's Inland Transport Committee which is responsible for the international TIR convention covering the transit of goods across countries as well as the "International Convention on the harmonization of frontier

controls of goods”. Both of which are important trade facilitation areas. Excellent cooperation also needs to be established with the other United Nations Regional Commissions and the UN Conference on Trade and Development (UNCTAD) for the promotion of UN/CEFACT’s work and the organization of capacity and technical assistance in countries where they work.

Lead group: Bureau

Activity 2.3: Liaise with other agencies

Description: For the promotion of its work, cooperate with national and international organizations active in trade facilitation, standards development organizations, and regional and sub-regional country groupings.

Lead group: Bureau

KEY WORK AREA III: IMPROVING THE ABILITY OF BUSINESS, TRADE AND ADMINISTRATIVE ORGANIZATIONS TO EXCHANGE PRODUCTS AND RELEVANT SERVICES EFFECTIVELY

Activity 3.1: Build Capacity

Description: Reach out to countries with transition developing and least-developed economies, to raise awareness and make available trade facilitation and e-business knowledge and respond to their requirements.

Deliverables:

- Forum seminars, presentations and other tools to support awareness and implementation of UN/CEFACT products and services;

Lead groups: All

Activity 3.2: Promote

Description: To develop promotional material and maintain the UN/CEFACT website.

Deliverables:

- Promotional brochures;
- UN/CEFACT Registry and Repository;
- UN/CEFACT web site

Lead groups: All
