

The Business Case for Trade Facilitation and where CEFAC T Deliverables make a Difference

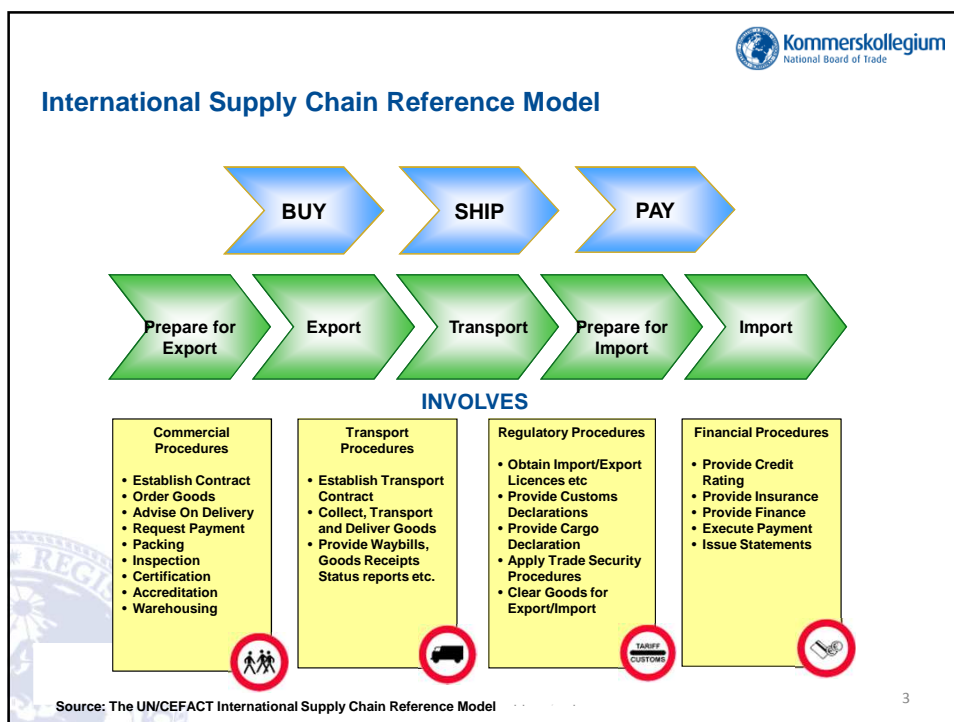
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Mr Johan Pontén, Trade Policy Advisor
National Board of Trade,
Head of Delegation, Sweden




What is Trade Facilitation?

“ the simplification, standardization and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make payment”.







Trade Facilitation - Why Bother?

- Additional day of delay in shipping reduces trade by 1 percent. Equivalent to a country getting 70 km further away. (Djankov, Freund and Pham, 2006)
- Studies show that 1 day delay is equivalent to 0,5% tariff
- The Number of signatures and documents needed for a trade transaction correlates with number of days spent at the border (OECD)
- Trade transactions costs due to trade procedures : between 1 and 15 % of import value (OECD)
- If Sub-Saharan Africa were to reduce number of signatures to world average it would mean cutting signatures by 82,5 %, but would also theoretically mean an increase in trade flows by 81,5 % (OECD Trade Policy Working paper no. 42, Wilson, 2005)
- Every extra day needed to ready goods for export and import reduces trade by around 4%. ... the impact of an extra day that goods spend at the border has a greater negative impact on trade flows than an extra day spent at sea delivering a container of goods. (OECD Trade Policy Working Paper no. 108, Korinek, Sourdin, 2011)

Trade facilitation is high on the political agenda



« Trade facilitation is a true win-win for all countries, and it particularly benefits small and medium-sized enterprises (SMEs) and least developed countries (LDCs)»

Source: Ed Fast, Canadian International Trade Minister, May 2012

« Where the trade environment is more favourable, businesses are better positioned to take advantage of new opportunities, to grow and to create jobs»

Source: WB, World Business Report, 2010



« Every extra day required to ready goods for import or export decreases trade by around 4%. This is why a trade facilitation deal would be a tremendous value for our trading communities and in particular for SMEs»

Source: Pascal Lamy, WTO Director General, Dec 2011

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Trade facilitation and the international political agenda



More than 2000 trade facilitation (TF) reforms all over the world in the last 8 years. Why?



- From tariff barriers to non-tariff barriers
- Emergence of global value chains
- Need for more efficient, simple and transparent trade transactions
- Evidence of benefits...



- 1 day to
export/import



&



- 4 days to
export/import

.....+ 4%
international trade



....+ 0.1 % GDP per
capita growth rate



Source: WTO 2012, OECD 2012, WB DB Report 2013

Benefits from Trade Facilitation

Government benefits

- Increased effectiveness of control methods.
- More effective and efficient deployment of resources.
- Correct revenue yields.
- Improved trader compliance.
- Accelerated economic development.
- Encouragement of foreign investment.

Business benefits

- Cutting costs and reducing delays.
- Faster customs clearance and release through predictable official intervention.
- Simple commercial framework for doing both domestic and international trade.
- Enhanced competitiveness.



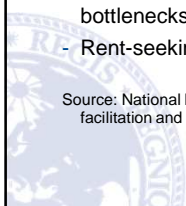
Trade Facilitation – Trade Bottlenecks

Trade bottlenecks

- High transaction costs in trade
 - Many documents and signatures
 - Cumbersome procedures
- Need for reform and modernization of border agencies
- Lack of transparency
- Difficult to meet requirement of international standards
- Lack of trust between public and private sector
- Ports and border-crossings are bottlenecks
- Rent-seeking and corruption

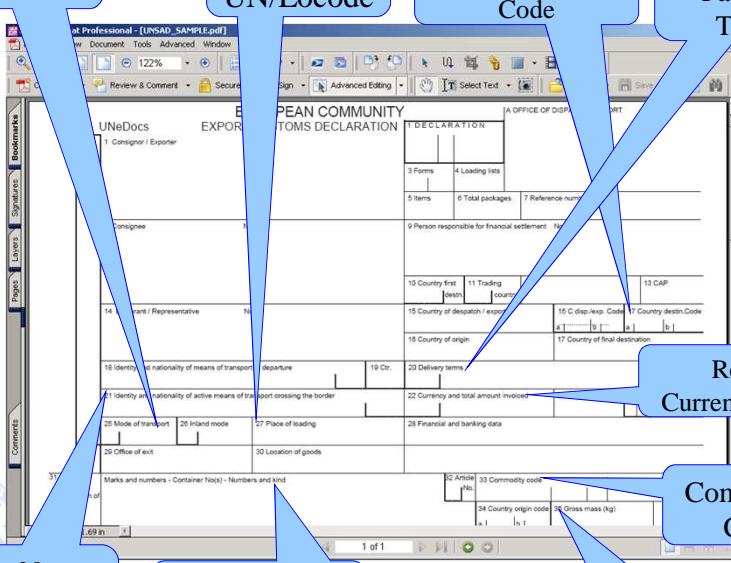


Source: National Board of Trade (2009) Trade facilitation and maritime transport



Trade Facilitation Tools and CEFACT Deliverables

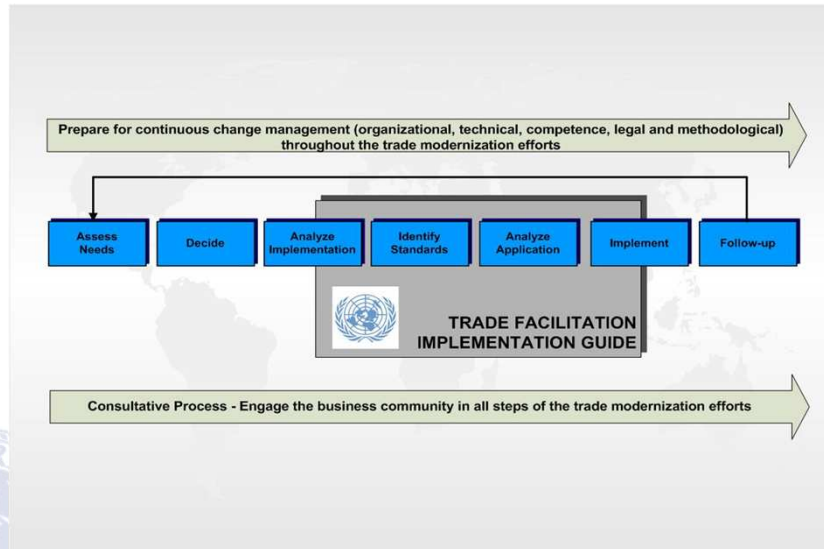
- Reduce, simplify and standardise trade documents and data
- Forums for dialogue between the public and the private sector
- Trade enquiry points
- Authorised trader schemes and use of risk management
- One-stop border posts
- Transport corridors
- Single Window
- UN/Layout Key, Codelists, Rec 14, Libraries, EDIFACT, XML etc
- Rec 4 and 33, Project on Consultation Approaches
- WCO instruments – but doc simplification & consultation a basis
- Recommendation 4
- Discussed for Future Project
- Recommendations 33-35

The screenshot shows a customs declaration form titled 'EUROPEAN COMMUNITY EXPORT CUSTOMS DECLARATION'. Various fields are highlighted with blue callout boxes:

- Rec:19 Mode of Transport** points to field 25 'Mode of transport'.
- Rec:16 UN/Locode** points to field 26 'Inland mode'.
- ISO Country Code** points to field 15 'Country of dispatch / export'.
- Rec:17 Payment Terms** points to field 17 'Country of final destination'.
- Rec:9 Currency Code** points to field 22 'Currency and total amount invoiced'.
- Commodity Code** points to field 33 'Commodity code'.
- Rec:20 Units of Measurement** points to field 36 'Gross mass (kg)'.
- Rec:21 Package Codes** points to field 30 'Location of goods'.
- Rec:28 Means of Transport** points to field 18 'Identify and nationality of means of transport'.

A Generic Approach to Trade Facilitation



WTO Trade facilitation negotiations

- Aim: "further expedite the movement, release and clearance of goods, including goods in transit"

Mandate:

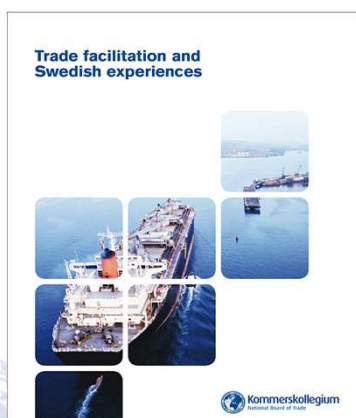
- Clarify and improve existing GATT Articles:
 - Article V: Freedom of transit
 - Article VIII: Fees and formalities connected with importation and exportation
 - Article X: Publication and administration of trade regulations
- Customs cooperation
- Technical assistance and support for capacity building (SDT)

Why a Trade Facilitation Agreement?

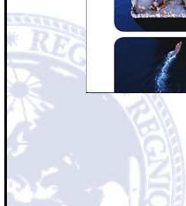
- Need for a harmonised framework of international rules on trade facilitation
 - Build on existing trade facilitation instruments and standards
 - Trade facilitation reforms need political support and good governance to be long lasting
 - Ensure technical assistance and capacity building for implementation – coordination among donors
- http://tfig.unece.org/pdf_files/Map-WTO-NT-to-TF-Inst.htm



Surveys at www.kommers.se



- Economic Implementations of the Doha Round
- Supply Chain Security Initiatives
- Swedish Experiences of Trade Facilitation
- Global Value Chains
- Services
- Trade Facilitation and Maritime Transport
- E-Invoicing



Useful Sources of Information

- WTO (World Trade Organization) and Trade facilitation negotiations:
http://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm
- UN/CEFACT list of recommendations:
http://www.unece.org/cefact/recommendations/rec_index.htm
- Trade Facilitation Implementation Guide
<http://tfig.unece.org/index.html>
- WCO (World Customs Organization):
<http://www.wcoomd.org>
- GFP (Global Facilitation Partnership for Transportation and Trade):
<http://www.gfptt.org/>
- OECD studies on the impact of TF:
<http://www.oecd.org>

Thank you for your attention!

Johan Pontén: johan.ponten@kommers.se