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**THE UN/CEFACT WORK PROGRAMME AND
AN INTRODUCTION TO THE GLOBAL TRENDS INFLUENCING IT**

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Submitted by the CEFACT Steering Group (CSG)*

The CEFACT Steering Group presents this document under its mandate to monitor progress on the approved work programme of the Centre as outlined in TRADE/R.650.

The Centre is invited to: review and approve this document.

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Preface

1. As part of the process of establishing UN/CEFACT, a framework for the work programme was agreed upon (TRADE/WP.4/R.1234, Annex I). This work programme was subsequently confirmed by the UN/ECE Committee for Trade, Industry and Enterprise Development (CTIED), see document ECE/TRADE/214, and detailed activities have continued to be developed following the direction agreed in the framework.
2. Each of the permanent working groups within UN/CEFACT has been asked to document its own work programme using a common activity planning worksheet for working group key deliverables. The first versions of these activity planning worksheets were made available, for information, at the March 1998 Plenary in TRADE/CEFACT/1998/CRP.3. Addenda 1-3 of this document contain versions that are now for approval, keeping in mind that the elaboration of these work programmes is an ongoing process that should reflect the changing needs of the Centre's participants as well as new trends in technology and trade facilitation.
3. The major global trends outlined in the current document form the background against which UN/CEFACT has developed its work programme, vision and strategy. They are presented here as background and reference for further development.

Background

4. Underlying the re-engineering of WP.4 into UN/CEFACT was the understanding that accelerating the growth and scope of world trade requires: further tariff reductions, increased implementation of free trade principles, greater participation by developing countries and small and medium-sized enterprises (SMEs) and a substantial improvement in the efficiency of the trading process. Such improvement in the efficiency of the trading process, requires the implementation of trade facilitation concepts and techniques. This is where UN/CEFACT has an important role to play, as reflected in the following passage from the mission statement " Its principal focus is to facilitate international transactions, through the simplification and harmonisation of procedures and information flows, and so contribute to the growth of global commerce."
5. During re-engineering, general trends recognised as influencing UN/CEFACT's activities were: the globalization of markets, economic regionalization and the fast pace of developments in information and communication technologies (ICT). Electronic commerce, electronic business and the virtual enterprise are ICT developments that are especially relevant to UN/CEFACT. The current paper also discusses legal issues and awareness which are not trends but do form an integral part of UN/CEFACT work programme and its ability to meet the challenges arising from these trends and fulfil its mission.

C. The influence of specific trends on the work programme

1. Globalization of markets.

6. Globalization of the marketplace is taking place rapidly, with companies sourcing components in one part of the world, assembling them in another part of the world and selling them in yet another. To compete in this new environment, successful companies have found it necessary to restructure themselves and the way they do business. In their organisations they have become leaner, flatter, more focused on their supply chains and customers and, in their operations, they have implemented modern and effective information systems and trade facilitation techniques. For example, a major European automobile manufacturer maintains electronic connections with over 800 suppliers, supporting transaction volumes of nearly US \$7 billion per year and a US aerospace firm has fully automated the handling of 60 per cent of orders for spare and replacement parts, thus enabling delivery anywhere in the world in less than 24 hours. (Sacher Report, OECD, Paris 1997).
7. The solution to achieving effective information flows across international markets lies in the use of common processes, procedures and techniques, including best practices, based on the use of globally agreed ICT standards. The building blocks range from defining data requirements, to the application of relevant developments like electronic business, to the implementation of efficient procedures for the physical movement of goods. As a result, the importance and impact of agreed standards will increase for companies wishing to trade internationally, while enterprises will be prevented from entering the global market place by ignorance and old-fashioned procedures.
8. In the UN/CEFACT work programme as outlined in ECE/TRADE/214, these concepts are reflected in items 1-3 which emphasize information content, procedures and the formulation of trade facilitation strategies.

"1. Analysing, reviewing and modelling the key elements of transactions in commerce, transport and administration, with particular emphasis on their information content, the communications methods used (for example, paper, electronic forms or UN/EDIFACT) and data transmission.

*2. Providing a forum for institutional cooperation in formulating and **implementing** international trade facilitation strategies and for reconciling official governmental and commercial requirements.*

3. Developing recommendations which simplify, harmonise or eliminate practices and procedures used in international transactions; then publishing, promoting and reporting on the use of such recommendations."

9. Activities related to this part of the work programme fall mainly within the BAWG and ITPWG work programmes (with supporting groups being the CDWG, EWG and ECAWG). Therefore, it is primarily in the context of these groups that detailed work items related to this trend should be developed and carried out.

2. Economic regionalization.

10. In a world of increasing liberalisation where customs tariff barriers are rapidly being reduced, procedural and technical barriers are becoming much more important. As a result, trade facilitation has become a critical factor in improving trade performance. In addition, the creation of larger and larger trading areas, with enormous economic power, such as the European Union, the North American Free Trade Area (NAFTA) and, potentially, the Asian Free Trade Area (AFTA) are showing the importance of partnership and cooperation.
11. It is clear that world trade will not achieve its growth potential unless it involves all countries and regions as participants. Consequently, no country or region will gain the full benefits from trade liberalisation and trade facilitation unless these benefits are extended to all of the other potential participants. For example, a failure to convince regions or countries of the importance of trade facilitation or the choice of different standards by a region or country can create procedural barriers to trade. Indeed this question has increasingly been the focus of international organizations and several initiatives have been taken to eliminate or reduce procedures as a hindrance to trade.
12. The Centre has a wide range of opportunities for partnership at the international level and challenges in the area of capacity building at a national level. It needs to renew and enlarge existing partnerships with organizations that already provide a wide range of expertise to UN/CEFACT's work. These include the World Customs Organization (WCO), the International Organization for Standardization (ISO), the International Article Numbering Association (EAN) , the Society for Worldwide Interbank Financial Telecommunications S.W.I.F.T. and the other UN regional commissions in Africa, the Asia- Pacific, Latin America and the Caribbean and Western Asia, as well as UNCTAD and UNCITRAL. In addition, UN/CEFACT is also committed to working with the World Trade Organization (WTO) and the Organisation for Economic Co-operation and Development (OECD) in the belief that such co-operation has significant potential to increase the level of trade transparency via the development of formal international agreements in the area of trade facilitation and electronic business. This will be important in reducing technical barriers to trade.
13. In the UN/CEFACT work programme, items 8, 9 and 10 express goals related to increasing trade transparency via the development of formal international agreements in the area of trade facilitation and national capacity building efforts.

8. Formalizing the relationship between with the World Trade Organization (WTO), the World Customs Organization (WCO) and CEFACT to provide a proper forum to give technical assistance;

9. Promoting and supporting the establishment and ongoing activities of national trade facilitation organizations in all countries, taking advantage of the best tools and practices currently in use in the world. This shall be done in cooperation with the United Nations regional commissions, the International Trade Centre (ITC) and the United Nations Conference on Trade and Development (UNCTAD);

*10. Maintaining close liaison with national trade facilitation organizations in order to understand better their trade facilitation needs, encouraging cooperation in trade facilitation and improving the **flow** of trade facilitation information to all countries.*

14. The main responsibility to carry out this part of the work programme rests with the policy setting organs of UN/CEFACT: the Plenary and the CSG with the active support of the secretariat.

3. Electronic commerce

15. The growing convergence of information and communication technologies has led to the development of the concept of electronic commerce and electronic business. Both have as their backbone, EDI. In the popular press, "electronic commerce" means business on the Internet World Wide Web (WWW). But the WWW is a human to machine interface where data are entered for one transaction, it does not solve the problem of the machine to machine interchange of already existing data: that is done by EDI. The two technologies therefore complement each other. It is clear that EDI is at the core of electronic business, especially when this concept is expanded to include electronic management techniques used in production and the supply chain (this last aspect being intimately linked with international trade). In looking toward the future, UN/CEFACT will have many opportunities, offered by new technology, to improve business practices. It will also have the challenge of helping to ensure that transition and developing economies as well as small and medium-sized enterprises are not left behind in the development of a world economy based on these new technologies.
16. The increased use of telecommunications based technologies, has resulted in the recent emergence of a new concept: the "virtual" enterprise. That is to say, enterprises that customers and suppliers "see" as one company; but which may, or may not, exist as a single physical entity. The "virtual" enterprise is based upon an invisible web of communications and relationships between many different computer systems and companies. This invisible economic web, to function effectively on a global scale, must be built upon a solid infrastructure of internationally recognized norms in business information and practices and upon a clear legal structure. This foundation exists in concepts such as electronic business and a global legal framework, in standards such as UN/EDIFACT and the UN Layout Key, and in other primary UN/CEFACT trade facilitation measures.
17. However, in order for the Centre's work to remain relevant, it must integrate and link its work, in an effective manner, to the needs of those using and implementing electronic commerce and "virtual enterprises." It must also develop bridges, both for communications and migration, between more traditional business operations and the virtual enterprise. These bridges will be essential for the eventual integration into the "virtual global economy" of small and medium-sized enterprises as well as those companies operating in economies that currently lack the infrastructure to support virtual enterprises.
18. One example of an important bridge is the International Trade Transaction model which can serve both as a didactic tool for explaining procedural issues and, in its national form, as a planning tool for changing procedures and implementing new technologies. Other bridges include the creation of awareness campaigns to overcome cultural barriers to change and the development of simplified, recommended profiles for the implementation of basic commercial UN/EDIFACT messages by SME's and off-the-shelf software developers who serve the SME market.
19. This important part of UN/CEFACT's activities is included in item 4 of its work programme:

4. Ensuring that UN/EDIFACT and related activities effectively serve and provide the tools

for electronic commerce activities, the facilitation requirements of international trade, administration, commerce and transport. In particular, ensuring that they respond to any requests for message development or maintenance coming out of the work on the International Trade Transaction Model. Where appropriate, this work may be done through the development of model scenarios and, based upon these scenarios, recommended message implementation guidelines, message subsets or document layout keys [including electronic forms].

20. The EWG will be instrumental in carrying out this part of the work programme with crucial input from the BAWG, TMWG, CDWG and the ECAWG. In particular the ECAWG will analyse the applicability of the UN/CEFACT work programme to the emerging electronic commerce and electronic business environments and identify the areas in which UN/CEFACT is contributing to electronic commerce.

4. The fast pace of developments in information technology

21. Tomorrow's technology represents an exciting challenge for UN/CEFACT today. The future of UN/CEFACT intimately depends on how it manages technological change. Several aspects of that management are discussed below.
22. First, UN/CEFACT needs to manage technological change in the development of its own tools and recommendations in areas such as electronic business and EDI. It must evaluate the applicability of new technologies like "object oriented EDI" and data modelling. This is also well recognized in the work programme under item 12.

12. Maintaining and developing the UN/EDIFACT standard, updating the UN/EDIFACT directories and related deliverables accordingly, analysing supporting requirements and, based upon scenarios/models, defining interchange profiles capable of meeting these needs through a sequence of UN/EDIFACT messages and, to that end:

(i) identifying, promoting and, where appropriate, proposing information technology developments and initiatives which are likely to bring practical results to the exchange of information in administration, commerce and transport including in liaison with international standardization bodies;

(ii) providing an open forum for the continued development of UN/EDIFACT and all its components, in a global, multisectoral and coherent manner;

(iii) producing directories and related documents/products for users of UN/EDIFACT.

23. Instrumental in fulfilling this part of the work programme are the EWG, BAWG, and TMWG with the CDWG as a supporting group.
24. Another critical aspect of technological change is to understand how an improved telecommunication infrastructure will affect access to data and the transmission of business information.
25. We are currently going through a very exciting period with the fast development of new methods for expanding telecommunication infrastructures. The establishment of a truly Global Information Infrastructure (GII) is well under way with the new, improved satellite communications systems now being put in place. In particular, the technology offered by low orbiting satellites will soon remove the obstacles to anyone, anywhere, accessing the Internet or freely communicating business

information to any part of the world. Nonetheless, these new technologies may also create cultural and political problems for some countries and special measures may need to be developed in order to facilitate their acceptance by those countries.

26. In looking towards the future, UN/CEFACT is therefore facing the opportunities offered by new technology and the challenge of ensuring that transition and developing economies, as well as small and medium-sized enterprises, are not left behind. This is reflected in item 11 of the work programme.

11. Taking into account the developments in the field of information technology, identifying electronic information exchange needs in the areas of administration, commerce and transport. As part of this work:

(i) reviewing, monitoring and evaluating the worldwide use of electronic exchange of data in order to better understand the opportunities for EDI in the world and in the multisectoral business environment. In particular, monitoring the results of business procedures used in electronic commerce;

(ii) identifying potential new requirements for world and multisectoral EDI harmonization activities and work for their development;

(iii) monitoring developments in information technology which are likely to facilitate information exchange in administration, commerce and transport, notably in an international context.

27. The groups responsible for this work item are the EWG , BAWG, TMWG and SIMAC with the ECAWG as a supporting group.

5. Legal issues

28. All trade takes place within a legal framework or "environment" which has practical consequences on what can be done. Almost as importantly, in trade facilitation, where the objective is often to eliminate unnecessary procedures, this legal environment also directly affects what can "not be done." For example, if one must archive signed paper copies of invoices for a period of 10 years in order to meet a legal requirement related to taxes, it is difficult to replace these same documents in customs clearance with electronic equivalents (or eliminate them all together). Work in the legal area includes developing recommendations to address practical legal issues and to remove legal constraints to the electronic transfer of data.

29. Important aspects deal with the development of recommendations with regard to best practice and the removal of national legal and commercial practice barriers to electronic trade transactions. Although UN/CEFACT should not directly develop recommendations for statutory law, it does need to coordinate with UNCITRAL in order to ensure that the practical needs of users are taken into consideration in such recommendations. The work programme should take into account international agreements and propose recommendations in relation to international trade and transport conventions as well as provide advice to UN/CEFACT on commercial practice barriers. The legal issues are contained in items 5 and 6 of the work programme.

5. Identifying and evaluating legal constraints that affect procedures and practices in international administrative, commercial and transport transactions; and that affect the use of tools for facilitating international trade;

6. *Proposing and recommending practical solutions to these legal constraints, when appropriate in cooperation with organizations such as the International Chamber of Commerce (ICC) and the UN Commission on International Trade Law (UNCITRAL).*

30. The Legal Working Group is responsible for carrying out this part of the work programme, with support from BAWG, ITPWG, EWG and ECAWG.

6. Awareness

31. If UN/CEFACT does not promote and gain recognition, at an international level, for its work, the Centre risks losing influence and position as a centre of excellence for trade facilitation. In the longer term, it will also encounter more and more difficulty in attracting participants with appropriate qualifications and in obtaining resources for its work. Thus effective promotion of the methods, and associated best practices developed by UN/CEFACT is critical. This can, in part, be done through channels such as governmental, industry and service associations. The secretariat plays an important role and should, in cooperation with the UN/CEFACT Steering Group, prepare, promote and disseminate information about trade facilitation and UN/EDIFACT. This includes the development of Internet world wide web pages, as well as the issuance of brochures and information material. The secretariat should also be prepared to undertake field missions should this be requested and resources be made available. Item 7 of the work programme covers activities related to awareness.

7. *Promoting the development of international trade facilitation initiatives as well as related initiatives covered by the work of the Centre.*

32. Promotion is the responsibility of the Promotion advisory ad hoc working group (PRO) with the UN/CEFACT Plenary, the CEFACT Steering Group and the secretariat strongly supporting their activities.
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