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### Steering Committee on Trade Capacity and Standards

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#### Improving the Steering Committee on Trade Capacity and Standards delivery on the 2030 Agenda

### Improving the Steering Committee on Trade Capacity and Standards delivery on the 2030 Agenda: Proposals by the Bureau

Submitted by the Secretariat\*

#### *Summary*

The United Nations Economic Commission for Europe (ECE) Steering Committee on Trade Capacity and Standards (SCTCS) continues to implement its mandate as defined in the outcome document of the 2005 reform (ECE/EX/22) and its terms of reference (ECE/CTCS/2018/2).

In 2017, the Bureau of the United Nations Economic Commission for Europe Steering Committee on Trade Capacity and Standards reviewed activities under the inter-governmental body in terms of their consistency with the level of ambition of the 2030 Agenda (A/RES/70/1). The results were summarized in a concept note that was prepared by the Chair in consultation with the Bureau and presented to member States during the fourth annual session of the SCTCS (ECE/CTCS/2018/3).

Member States took note of the results and requested the Bureau to consider the proposals made by the European Union and its member countries when preparing a programme of work for the SCTCS fifth session (ECE/CTCS/2018/2, Decision 2018-3). In particular, the European Union and its member countries requested the Bureau to further elaborate the proposals listed in the Chair's concept note (ECE/CTCS/2018/2, paragraph 19).

\* Late submission due to late finalization of extended Bureau discussions.

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This paper elaborates these proposals. In so doing, it shows how the advice to the SCTCS to “assist member States to translate their innovative ideas into local productive capacity and export opportunities, thus delivering concrete results that help create jobs and economic growth in the ECE region” can be implemented (ECE/CTCS/2015/2). The paper also highlights the manner in which work under the SCTCS contributes to the ECE nexus approach to the 2030 Sustainable Development Goals (SDGs) alignment.

The paper was prepared by the Bureau with the support of the secretariat. It is presented to Member States for decision.

## I. Background

1. During its fourth annual session, the Steering Committee’s terms of reference were revised to allow for supporting the achievement of the 2030 Agenda and associated SDGs, particularly SDGs 8 (Decent Work and Economic Growth) and 9 (Industry, Innovation and Infrastructure).<sup>1</sup> The regulatory work under the SCTCS subsidiary bodies aside, the point was made<sup>2</sup> that this support should draw on research and analysis work under the SCTCS, which commenced in 2010 with the launching of the demand-driven, evidence-based<sup>3</sup> assessment studies of regulatory and procedural barriers to trade in goods.

2. By virtue of integrating a system-based approach, the studies provide the required foundation for ensuring policy coherence in a manner that is consistent with the principles of the 2030 Agenda, including policy coordination, multifaceted analysis, and respect of member States’ policy space and leadership in establishing and implementing development policies.<sup>4</sup>

3. The analysis proceeds from the premise that regulatory and procedural barriers are symptoms of broader economy-wide and sector specific capacity shortfalls within State agencies, market support institutions as well as enterprises that should be understood in their complexity. The shortfalls are discerned using a multi-faceted lens, which takes into account the numerous inter-relations between all public and private sector supply chain actors at macro level of policy and associated legislation; the meso level of institutions; and, since 2018, the micro level of enterprises.<sup>5</sup>

<sup>1</sup> The revised terms of reference, which are annexed to the report of the fourth session of the SCTCS (ECE/CTCS/2018/2) were adopted under SCTCS Decision 2018-3 (ECE/CTCS/2018/2).

<sup>2</sup> See the Chair’s concept note (ECE/CTCS/2018/2) and the SCTCS revised terms of reference (Decision 2018-3, ECE/CTCS/2018/2).

<sup>3</sup> The studies are based on extensive surveys, implemented through face-to-face interviews, targeting traders, public sector stakeholders and representatives market support institutions using actor-oriented questionnaires. The questionnaires, which are adapted to the local context of the countries under review, draw on the analytical parameters established in UN/CEFACT Buy-Ship-Pay Reference Model (<http://tfig.unece.org/contents/buy-ship-pay-model.htm>), business process analysis and SCTCS Working Party on Regulatory Cooperation and Standardization Policies (WP.6) product life cycle approach to technical regulations development and application ([http://www.unece.org/trade/wp6/Recommendations/Rec\\_L.pdf](http://www.unece.org/trade/wp6/Recommendations/Rec_L.pdf)).

<sup>4</sup> These are the basic tenets of policy coherence established under SDG 17 (17.13-17.19).

<sup>5</sup> The actor-oriented questionnaires, particularly the traders’ questionnaire, were expanded to allow for a better understanding on the factors shaping the enterprises’ technological capability and the influence of NTMs therein.

4. In discerning these shortfalls, the studies follow a participatory approach. The field surveys target all national supply chain actors and the recommendations are born out of public-private consultations.<sup>6</sup> To date, ECE has carried out eight studies in Albania, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova and Tajikistan.<sup>7</sup> These studies brought forward the factors giving rise to the capacity shortfalls; the manner in which they create regulatory and procedural trade barriers throughout the supply chain; the channels perpetuating the resulting impact; and how shortfalls in the macro and meso levels combine to influence the meso level and harm the development trajectory of the economy. In so doing, studies provided insights into how best to leverage regulatory and legislative harmonization, particularly non-tariff measures (NTMs)<sup>8</sup> and associated capacity building efforts, for bolstering trade and structural transformation.

5. The Chair's concept note proposes delving into the systemic shortfalls identified in the studies through technical papers, with the aim of informing discussions on optimal approaches for supporting the achievement of the 2030 SDGs. Consistent with the mandates of the SCTCS and the ECE Trade Subprogramme, the systemic issues were clustered under three thematic areas, namely: challenges to inclusive supply chains; NTMs and export diversification; and experiences in removing regulatory and procedural trade barriers.<sup>9</sup>

6. As shown in the remaining sections, the technical papers will take the studies' findings a step further by exploring avenues for gearing NTM reforms towards ensuring a balanced treatment of the economic, social and environmental dimensions of development and, thereof, serve as means of implementing the 2030 Agenda.<sup>10</sup>

<sup>6</sup> The findings of the study and proposed recommendations are validated in stakeholder meetings, which bring together representatives from relevant State agencies and enterprise support institutions.

<sup>7</sup> The studies are available at: <https://www.unece.org/tradewelcome/studies-on-regulatory-and-procedural-barriers-to-trade.html>.

<sup>8</sup> The studies cover 10 of the total 16 NTM Chapters under United Nations Multi-agency Support Team (UN/MAST) classification with direct impact on trade in goods. These chapters cover: Sanitary and phytosanitary measures (Chapter A); technical barriers to trade (Chapter B); pre-shipment inspection and other formalities (Chapter C); price control measures, including additional taxes and charges (Chapter F); finance measures (Chapter G); measures affecting competition (Chapter H); distribution restrictions (Chapter J); government procurement restrictions (Chapter M); rules of Origin (Chapter O); and, export-related measures (Chapter P).

<sup>9</sup> Setting the context for the effective and efficient application of NTMs throughout the international supply chains is inherent to ECE Sub-programme on Trade, which seeks to "strengthen trade facilitation and trade-related economic cooperation in the ECE region and beyond" and "foster a conducive policy and regulatory environment for trade in goods and economic cooperation in the ECE region" ( See ECE Strategic Framework for 2018-2019, available at: [https://www.unece.org/fileadmin/DAM/OPEN\\_UNECE/02\\_Programme\\_Planning\\_and\\_reporting/SF\\_2018-2019\\_-\\_reissued.pdf](https://www.unece.org/fileadmin/DAM/OPEN_UNECE/02_Programme_Planning_and_reporting/SF_2018-2019_-_reissued.pdf) and 2020 (contained in document ECE/CTCS/2018/13)).

<sup>10</sup> Established under SDG 17, "means of implementation" is to be understood as "the interdependent mix of financial resources, technology development and transfer, capacity-building, inclusive and equitable globalization and trade, regional integration, as well as the creation of a national enabling environment required to implement the new sustainable development agenda, particularly in developing countries". Department of Economic and Social Affairs and the United Nations Development Programme, Technical Support Team (TST) brief: means of implementation; Global partnership for achieving sustainable development, available at: [https://sustainabledevelopment.un.org/content/documents/2079Issues%20Brief%20Means%20of%20Implementation%20Final\\_TST\\_141013.pdf](https://sustainabledevelopment.un.org/content/documents/2079Issues%20Brief%20Means%20of%20Implementation%20Final_TST_141013.pdf).

7. The next section highlights the systemic issues emerging from the studies along with a brief discussion of the analytical parameters that will inform the technical papers. The parameters are based on the ECE evaluation methodology, which also enables addressing the advice to the SCTCS to “assist member States to translate their innovative ideas into local productive capacity and export opportunities, thus delivering concrete results that help create jobs and economic growth in the ECE region” (ECE/CTCS/2015/2). Examples of the specific issues that will form the focus of the technical papers are provided in section three, leading to a brief discussion of the papers’ contribution to the ECE nexus approach to SDG alignment<sup>11</sup> and the UN development system (UNDS) country strategies and plans.<sup>12</sup>

## II. Towards a coherent treatment of systemic issues

8. The studies show that leveraging trade policy in general and NTMs in particular to serve as means of implementation is inherently difficult given the deep-seated systemic capacity shortfalls that continue to undermine reforms. At the macro level of policy, planning and decision making are often impeded by the absence of institutionalized public-private consultations; inadequate inter-agency coordination mechanisms; lack of expertise skills within State agencies (often due to recurrent government restructuring and budgetary constraints); and slow legislative processes.

9. These shortfalls give rise to policy fragmentation and compartmentalization, rendering it difficult, if not impossible, to ensure policy coherence and/or factoring implementation concerns into planning and decision-making. These factors combine with financial constraints to further undermine implementation. State agencies are, thereof, left with inadequate institutional capacities, so that they are awkwardly placed to deliver on reforms.

10. The above dynamics manifest themselves in the continued predominance of regulatory and procedural trade barriers identified in the studies. These barriers inflate transaction costs and often act as an investment distinctive, thereby locking the enterprises in weak productive capacities.

11. The studies suggest that a coherent treatment of regulatory and procedural barriers could be best ensured through a whole-of-government approach. The focus should be on consolidating dynamic systems of governance and support services, with the aim of creating growth inducing relations of inter-dependence among the different measures as well as between NTMs and other policy areas.

12. The studies provide a basis for consolidating such systems, providing horizontal as well as sector specific recommendations, which draw on internationally recognised standards and best practice guidelines in the areas of trade facilitation, regulatory cooperation and quality assurance, including those developed by the Steering Committee subsidiary bodies and United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT).

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<sup>11</sup> The nexus approach is defined in Informal Document No. 2018/12 presented to ECE Executive Committee (EXCOM) during its ninety-eighth meeting, held in Geneva, Switzerland on 18 May 2018 ([https://www.unece.org/fileadmin/DAM/commission/EXCOM/Agenda/2018/98EXCOM-18-May/ECE\\_EX\\_2018\\_12\\_Item\\_6\\_Alignment.pdf](https://www.unece.org/fileadmin/DAM/commission/EXCOM/Agenda/2018/98EXCOM-18-May/ECE_EX_2018_12_Item_6_Alignment.pdf))

<sup>12</sup> UNGA resolution A/RES/72/279 on Repositioning the United Nations development system, adopted in May 2018, envisaged enhancing collaboration between the different UN entities at all levels. This included, among others, attaching special emphasis on integrating regional dimensions into the UNDS country strategies and plans.

13. In so doing, the recommendations support the achievement of SDG 17.10 (promoting a universal, rule-based, open, non-discriminatory and equitable multilateral trading system (MTS)). The recommendations also support the reduction of transaction costs facing enterprises. These efficiency gains would free up resources and enable enterprises to invest in improving their production processes and achieve increased specialization in technology-intensive activities with high value-added. However, the studies show that the move from efficiency to dynamic gains is not automatic. Hence, the emphasis in each study on complementing the removal of regulatory and procedural trade barriers with targeted efforts to improve the enterprises' productive capacity. These complementary efforts are all the more important for ensuring policy coherence, as they draw attention to the necessary legislative and capacity building reforms in other areas (e.g., labour policy and education). Policy coherence could be further ensured by leveraging NTM reforms to generate spill over effects into the economy, and this will be the aim of the technical papers. The below channels are particularly influential for generating such effects:

#### *Good governance practices*

By advancing measures for improving transparency (web publication of compliance information; enquiry points; advance rulings; appeal or review of procedures; and notifications<sup>13</sup>), prior consultations and policy coordination,<sup>14</sup> NTMs contribute to improving public access to information (SDG 16.10), strengthening participatory approaches to trade policy making (16.17) and to promoting an international rule based trading system (17.10).<sup>15</sup>

#### *Border control facilities and infrastructure*

The principles and best practices associated with freedom of transit,<sup>16</sup> timely release of goods and border and coordinated border management,<sup>17</sup> carry strong stimulus for increased investments in modern border control facilities and logistical services with direct contribution to the consolidation of quality infrastructure (SDG 9.1).<sup>18</sup>

#### *Investments in information and communications technology infrastructure*

Information and communications technology (ICT), the driving force of supply chains, has gained increased prominence upon its integration into the World Trade Organization (WTO) administered MTS requirements as an indispensable means for efficient NTM implementation. As elaborated under the Agreement on Trade Facilitation, these requirements involve the use of electronic processing, dematerialization, single window

<sup>13</sup> Articles 1-5 of the Agreement on Trade Facilitation, which clarify and improve upon Article GATT X on the publication and administration of trade regulations.

<sup>14</sup> See Article 23 of the Agreement on Trade Facilitation.

<sup>15</sup> 16.10 Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements; 16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels; 17.10 Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda.

<sup>16</sup> See Article V of GATT (freedom of transit) and article 11 of the Agreement on Trade Facilitation, which clarifies and improves upon freedom of transit.

<sup>17</sup> See articles 7,8 and 12 of the Agreement on Trade Facilitation, which clarifies and improves upon Article VIII of GATT.

<sup>18</sup> 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

arrangements and international standards for simplifying, streamlining and standardizing trade related administrative procedures.<sup>19</sup>

In addition to reducing the cost of trade, these measures result in improved revenue collection levels with direct contribution to domestic resource mobilization (SDG 17.1).<sup>20</sup> These immediate benefits can be leveraged to support structural transformation, since the associated modern ICT systems provide a sound foundation for a robust digital economy.

For example, Single Window Systems<sup>21</sup> featuring interoperability with authorities in partner countries and other actors (e.g., ports) involve implementing international standards for categorizing, structuring, linking and moving digital data; all of which constitute the basic elements of big data environments, also referred to as the Internet of Things, that can be linked with other cutting-edge technologies such as Blockchain. This foundation needs to be geared to support the simultaneous achievement of, among others, structural transformation (SDG 8.2<sup>22</sup>) through increased investment in the ICT sector, technology intensive and knowledge based activities; sustainable consumption and production (SDG 12) through, e.g., applications to monitor traceability; zero hunger (SDG 2) through, e.g., big data to monitor and predict outbreak of diseases.

#### *Technology transfer*

By referencing international and regional standards for ensuring the protection of human, animal, plant life and the environment, NTMs provide the seeds for industrial upgrading at both the enterprise and the inter/intra-industry levels and, thereof, the achievement of structural transformation (SDG 8.2). The question then becomes how best to assist enterprises implement these standards.

### **III. Thematic areas**

14. The technical papers will propose whole-of-government approaches for gearing NTM reforms towards leveraging the above-mentioned channels. Consistent with the ECE Trade-Subprogramme mandate, the technical papers will focus on reforms listed in the three thematic areas listed in the Chair's concept note. The emphasis will be on providing action-oriented proposals targeting the macro level of policy and legislation; the meso level of institutions; and, the micro level of enterprises. Below are a few examples of the issues that will be addressed under the thematic areas.

#### **1. Non-tariff measures and export diversification in the ECE region**

15. Technical papers under this area will demonstrate how NTM reforms could be geared towards supporting structural transformation, as a pre-requisite for achieving export diversification. For example, given their Association Agreements with the European Union (EU), legislative reforms in Albania and the Republic of Moldova feature a special

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<sup>19</sup> As established under Article VIII of GATT (on fees and formalities connected with importation and exportation) and elaborated under the Agreement on Trade Facilitation (Articles 10 and 7).

<sup>20</sup> 17.1 Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.

<sup>21</sup> See UN/CEFACT Recommendation 36 on Cross-Border Interoperability of Single Windows, available at: [http://www.unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE-431E\\_Rec36.pdf](http://www.unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE-431E_Rec36.pdf).

<sup>22</sup> Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

emphasis on harmonizing national laws with the requirements of the EU *Acquis Communautaire*. While the two countries have achieved impressive progress in approximating national laws, the expected benefit in the form of export diversification is yet to materialise. This is so because reforms to date have proceeded in a fragmented manner, with approximation often limited to the directives with little attention to associated national laws. Capacity building efforts have also proceeded in a fragmented manner, focusing on individual institutions as opposed to the entire system of institutions supporting trade, while initiatives targeting enterprises tended to be limited to awareness raising. Efforts to help enterprises build their production capacity tended to lack emphasis on assisting enterprises in implementing EU harmonized standards referenced in the approximated EU legislation.

16. Cases in point are the EU Union Customs Code (UCC) that entered into force in May 2016 and the New Legislative Framework (NLF) for technical harmonization and standardization, which together provide the foundation for addressing trade facilitation concerns; ensuing trade security; and protecting human, animal, plant life and the environment.

17. The UCC and NLF carry direct bearing on national and sectoral legislation, policies, quality assurance systems, customs and border management systems. For enterprises, the challenge is to achieve conformity with EU regulatory requirements irrespective of placement on EU markets (whether the products are supplied for distribution, consumption, or use).<sup>23</sup>

18. The papers will investigate whole-of-government approaches for leveraging spill over effects along a specific channel. For example, the modern ICT structures consolidated to achieve compliance with the UCC can be designed to provide a solid foundation for digital transformation. The question then becomes as to the required policies, legislation that need to be put in place to generate these spill over effects as well as the market support services that need to be created to facilitate technology transfer into the ICT sector and the enterprises.

## 2. Challenges to inclusive international supply chains in the ECE region

19. Development experiences point to the critical role of supply chains in driving structural transformation. However, entry into these chains is becoming increasingly challenging, with their structures and geographic coverage in constant churning under the weight of the evolving ICT, transport facilities, logistics services and production systems. Enterprises from developing and transition economies must comply with not only target markets' regulatory requirements but also private quality standards. They must also fit into just-in-time (JIT) manufacturing models driving supply chains, whereby production is divided across several countries (to reduce response time from supplies and/or production and/or delivery) with inventories, especially in storage, reduced to the minimum.<sup>24</sup>

20. Thus, delivering high quality products at competitive prices is no longer enough for increasing market shares in domestic and global markets. Timeliness, in the sense of speedy response to consumer needs, is of equal importance. For governments, the challenge is how

<sup>23</sup> The NLF shifts the emphasis for EU market access from “placing on the market” to the “making available on the market”. In so doing, it provides for bolstering quality assurance functions throughout the product life cycle. The NLF is elaborated under Regulation (EC) 765/2008; Decision (EC) 768/2008; and Regulation (EC) 764/2008.

<sup>24</sup> See, for example, World Economic Forum. The Global Enabling Trade Report 2012: Reducing Supply Chain Barriers. Geneva, Switzerland.

best to leverage supply chain integration for bolstering backward and forward linkages within the economy, with a view to generating static (e.g., increase in overall labour productivity) and dynamic gains (e.g., accumulated technological capabilities) and, thereof, productivity improvement while safeguarding the environment.

21. While the first thematic area focuses on creating spill over effects from NTM reforms, papers under this thematic area delve into the enterprises' experiences in ensuring compliance with the new/revised NTM legislation. The papers would focus on strategic sectors with major contribution to the ECE regions' exports and/or those with the highest contribution to employment and explore the manner in which the new legislative requirements affect the enterprises. Examples of issues to be explored include the enterprises' experiences in implementing the harmonized standards and the resulting impact on their productive capacity and position in regional/global supply chains. Another area to explore would be the extent to which the enterprises' involvement in international supply chains support a move towards a circular economy and the role of NTM reforms therein.

### **3. Removing regulatory and procedural trade barriers: experiences from the ECE region**

22. A common theme running through the studies is that one-size-fits all solutions tend to be met with failure and, in some cases, leave countries with white elephants. Technical papers under this thematic area will take the form of case studies to highlight home grown solutions, with a view to bringing forward approaches to generating spill over effects into the economy. In so doing, the papers will highlight synergies and trade-offs between NTM reforms and other policy objectives as well as gaps between national realities and global targets.

## **IV. Contribution to ECE nexus approach and UN processes**

23. Work under the Steering Committee will be also aligned with the ECE's nexus approach, which seeks to exploit opportunities for cross-sectoral work to enable a multi-dimensional treatment of development challenges facing ECE member States.<sup>25</sup> The approach attaches special emphasis on pooling expertise knowledge, coordination mechanisms, standards and instruments under the different sub-programmes to deliver integrated programmatic activities, which generate greater synergies and bolster the impact of ECE within existing mandates.

24. ECE has identified four high-impact Nexus areas of its work: a) Sustainable use and management of natural resources; b) Sustainable and smart cities; c) Sustainable mobility and smart connectivity; d) Measuring and monitoring SDGs.

25. The studies directly contribute to the nexus on measuring and monitoring SDGs and the recommendations will be mapped in terms of their contribution to the 2030 Agenda as part of the studies or in a separate paper, depending on the governments' preference. In addition, the evaluation methodology can be used for enriching national assessments/reviews under other sub-programmes. For example, the most recent ECE Country Profile on Housing and Land Management, which was conducted in Belarus,

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<sup>25</sup> The nexus approach is defined in Informal Document No. 2018/12 presented to ECE Executive Committee (EXCOM) during its ninety-eighth meeting, held in Geneva, Switzerland on 18 May 2018 ([https://www.uncece.org/fileadmin/DAM/commission/EXCOM/Agenda/2018/98EXCOM-18-May/ECE\\_EX\\_2018\\_12\\_Item\\_6\\_Alignment.pdf](https://www.uncece.org/fileadmin/DAM/commission/EXCOM/Agenda/2018/98EXCOM-18-May/ECE_EX_2018_12_Item_6_Alignment.pdf)).



contains a separate chapter that mapped the interplay between quality assurance systems and population welfare. The chapter demonstrated how these systems ensure continuous improvements in housing quality, with positive contribution to housing affordability and the households' sustainable livelihood strategies.

26. Work under the Steering Committee's subsidiary bodies also contribute to the ECE Nexus approach. The secretariat of Working Party on Regulatory Cooperation and Standardization Policies (WP.6) will contribute to the nexus on sustainable and smart cities, while the secretariat of Working Party on Agricultural Quality Standards (WP.7) will contribute to the nexus sustainable use of natural resources.

27. In addition, the studies provide a solid basis for supporting United Nations wide processes in support of SDGs. Working closely with national Governments, the regional and sub-regional growth dynamics and action-oriented recommendation emerging from the studies are integrated into the UN development system's country strategies and plans, such as the United Nations Sustainable Development Cooperation Framework.

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