

## **TRADE FACILITATION- FACT SHEET**

### **Rationale for the TF negotiations**

Successive GATT/WTO Rounds have substantially freed-up global trade by cutting tariffs and reducing the restrictive effects of non-tariff barriers. This has turned the spotlight increasingly towards obstacles that may be less obvious to the public, but which nonetheless seriously hamper trade flows, in particular the red tape involved in getting goods across borders.

### **Main problems encountered by traders**

Among those obstacles one finds issues such as

- cumbersome data and documentation requirements;
- excessive formalities and border procedures that vary substantially from one country to another;
- restrictive administrative regulations;
- high fees and charges that are sometimes also applied in an arbitrary and discriminative manner;
- lack of transparency and cooperation;
- absence of predictability.

### **Implications of those problems**

The negative results of those obstacles can be felt by governments, producers and consumers alike. They include

- Increased transaction costs; Right now, the cost of complying with all the procedures required to import goods are more than US\$2000<sup>1</sup> per container in Sub-Saharan Africa, with the corresponding figures even for Central Asia and Eastern Europe equally approaching the US\$ 1500<sup>2</sup> threshold.
- Border delays accounting for up to 20% of the overall time taken to transport goods to markets; In sub-Saharan Africa, the time necessary to comply with all procedures required to import goods is an average of 41 days (32.5 days for South Asia, 32 days for Eastern Europe and Central Asia and 27 days for the Middle East and North Africa)<sup>3</sup>;
- Higher consumer prices, as producers tend to pass on their increased expenses;
- Lower trade and investment flows;
- Revenue loss due to less legal and more illicit trade, lacking control mechanisms and inefficient use of scarce resources, Governments further have to pay by having to keep large bureaucracies at work.

The businesses of small and medium-size producers and traders are particularly hard hit by the cost of these overheads since they lack the resources to meet opaque administrative hurdles. Analysts have shown that the reason why many SMEs – who, as a whole, account for up to 60 % of GDP creation in many countries – are not active players in international trade has more to do with red tape than tariff barriers.

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<sup>1</sup> US\$2,278.7, World Bank, Doing Business 2009.

<sup>2</sup> US\$ 1822.2, World Bank, Doing Business 2009

<sup>3</sup> World Bank, Doing Business 2009.

Transit problems are especially severe for land-locked developing countries where impeded transit rights increase transportation and importation costs and significantly slow down trade transactions, thereby also reducing their export competitiveness on world markets.

### **Measures proposed in the TF negotiations on how to overcome those problems (examples)**

- Proposed measures to reduce and simplify import/export fees and formalities would lessen the financial burden and speed up clearance procedures by allowing for a more streamlined mode of operation. Delays would also be reduced by implementing the proposals on coordination of activities and requirements of all border agencies.
- The same goes for the suggested ways to expedite border operations (such as by allowing for pre-arrival processing and post-audit control, advance rulings or risk assessment).
- Proposals to improve publication and availability of information (such as by suggesting for publication to take place on the internet or to establish enquiry points) would significantly increase transparency and create a more predictable trading environment. Predictability would also be enhanced by creating non-discriminatory, legal rights to appeal decisions of customs authorities and enhance due process conditions.
- The suggested consultation and commenting mechanisms between relevant parties on new and amended rules would also further this objective.
- Obstacles on the transit front could be mitigated by implementing proposals aimed at limiting and simplifying related fees and formalities and ensuring their timely publication & review, to name just a few.

For a compilation of all proposed measures see WTO document TN/TF/W/43/Rev.18.

### **Potential gains from a successful conclusion of the TF negotiations**

A good result from the Trade Facilitation negotiations will

- lower transaction costs which will help to reduce prices for consumers and producers alike;
- decrease administrative costs;
- reduce transit and transportation costs, which can be an overwhelming burden, especially in landlocked countries. This should allow for an increase in economic competitiveness and an expansion of exports;
- help governments to apply and conduct their border controls more effectively – allowing also for better security and more efficient revenue collection;
- encourage foreign investment;
- facilitate the expansion of small and medium-sized businesses that cannot afford to deal with excessive bureaucracy and red tape;
- Provide enhanced support to developing and least-developed countries to build the capacity they need to facilitate their own trade, both exports and imports;
- Create a more transparent and predictable trading environment.

### **Negotiating modalities and subsequent guidance**

*Mandate: Annex D of the 2004 July Package*

#### **Main elements**

- Scope
  - o Clarify and improve relevant aspects of GATT Articles V, VIII and X

- Customs Cooperation (see third bullet listed under objectives below)
- Objectives
  - Further expedite the movement, release and clearance of goods, including goods in transit
  - Enhance technical assistance and support for capacity building
  - Effective cooperation between customs or any other appropriate authorities on TF and customs compliance issues
- S&D treatment
  - Should extend beyond traditional transition periods for implementing commitments
  - Extent and timing of entering into commitments shall be related to the implementation capacities of developing and least-developed countries
  - Developing countries and LDCs are not obliged to undertake investments in infrastructure projects beyond their means
  - LDCs will only be required to undertake commitments to the extent consistent with their individual development, financial and trade needs or their institutional capabilities
- Technical Assistance and Capacity Building
  - Developed countries commit themselves to adequately ensure such support and assistance during the negotiations
  - Support and assistance also to help implement the commitments, in accordance with their nature & scope
  - recognition that negotiations could lead to certain commitments whose implementation would require support for infrastructure development on the part of some Members. In these limited cases, developed-country Members will make every effort to ensure support and assistance directly related to the nature and scope of the commitments in order to allow implementation.
  - In cases where required support and assistance for such infrastructure is not forthcoming, and where a developing or least-developed Member continues to lack the necessary capacity, implementation will not be required. While every effort will be made to ensure the necessary support and assistance, it is understood that the commitments by developed countries to provide such support are not open-ended.
- Work on areas of particular interest for developing countries and LDCs
  - Identification of trade facilitation needs and priorities
  - Address concerns of developing and least-developed countries related to cost implications of proposed measures
- *Hong Kong Ministerial Declaration (Annex E)*

Annex D was re-confirmed by the Hong Kong Declaration which also set out recommendations for future work, all of them having been agreed upon in Geneva ahead of the Ministerial Conference. Apart from calling for an intensification of work on S&D and technical assistance, they contain an explicit reference to the negotiations being directed towards the development of a set of multilateral commitments and commit Members to an accelerated way of operation by calling for a shift to focussed drafting mode. Progress was equally made by defining the negotiations' coverage more clearly, fleshing out Annex D's basic parameters with specific proposals which are now recognized to form the basis for future work.

- *Work Plan*

Adopted on the basis of Annex D's modalities, the Plan (TN/TF/1) requires work to proceed in a Member-driven and inclusive manner where all elements of the mandate are addressed in a balanced way with no judgement on priority.

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