



ITC

TRADE IMPACT
FOR GOOD

50 YEARS

1964-2014

Understanding the TF Agreement and its Implications

National Workshop, June 17th and 18th, Dushanbe, Tajikistan
“Implementing the WTO Trade Facilitation Agreement”



Why is the Trade Facilitation important for LLDCs?

Trade Facilitation and Competitiveness

- ✓ Customs clearance times are **key determinants of foreign investment, export status and productivity**
- ✓ For integration into global value chains efficient **importation is as important as exportation**
- ✓ Inefficient customs practices and complex procedures significantly **reduce the ability to successfully integrate to global value chains.**
- ✓ Trade costs are a crucial ingredient for competitiveness and FDI

Border inefficiencies translate into direct and indirect costs impacting business competitiveness

Direct costs

- Time and resources invested in managing export administrative activities**
- Collect, produce, transmit and process required information and documents

Indirect costs

Increased operational costs

- Delays translate into extra transport, insurance or warehouse costs

Increased working capital requirements

- Inventories immobilized are carried out by the exporter (except for EXW sales)

Product deterioration

- Delays can lead to the degradation of products and render them unfit for sale

Lost business opportunities

- Direct: joining a punctual regional trade
- Indirect: immobilized stock could have been sold to a local client

Trade Transaction Costs (TTCs)

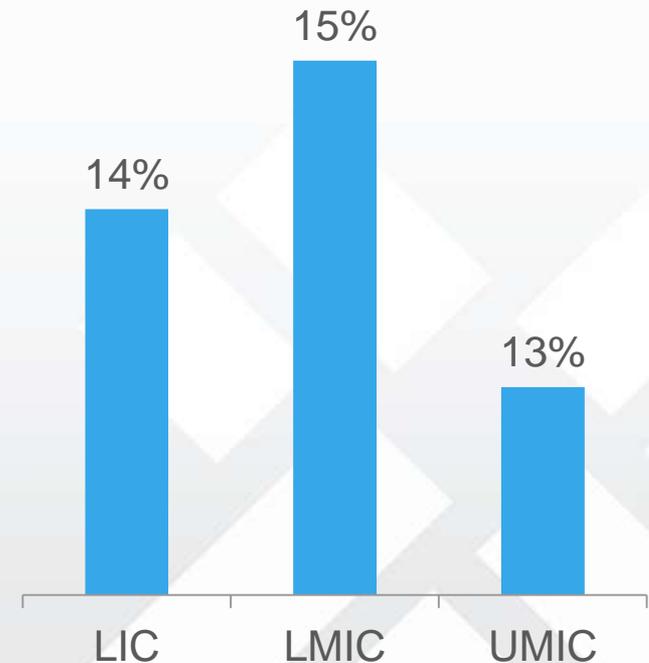
TTCs depend on the good, trader and country

- Direct TTCs amount to 2-15% of the value of goods
- Indirect TTCs (delays, corruption, etc.) amount to 1-24%

TF measures at the border have a high potential for cost reduction

- From 13% to 15% depending on countries' income levels

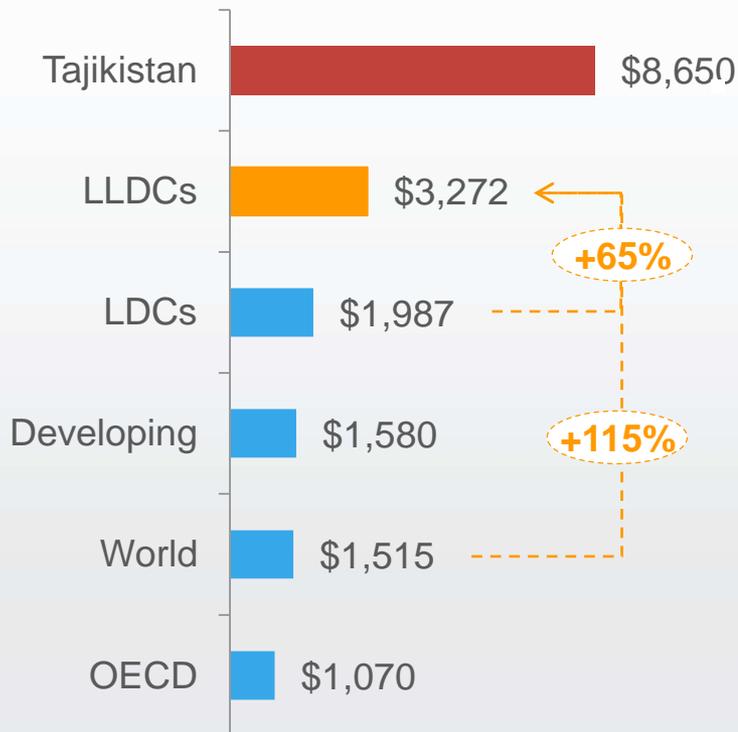
Overall potential trade cost reduction by income group



LLDC costs to trade is ~60% higher than LDCs average and double than world average

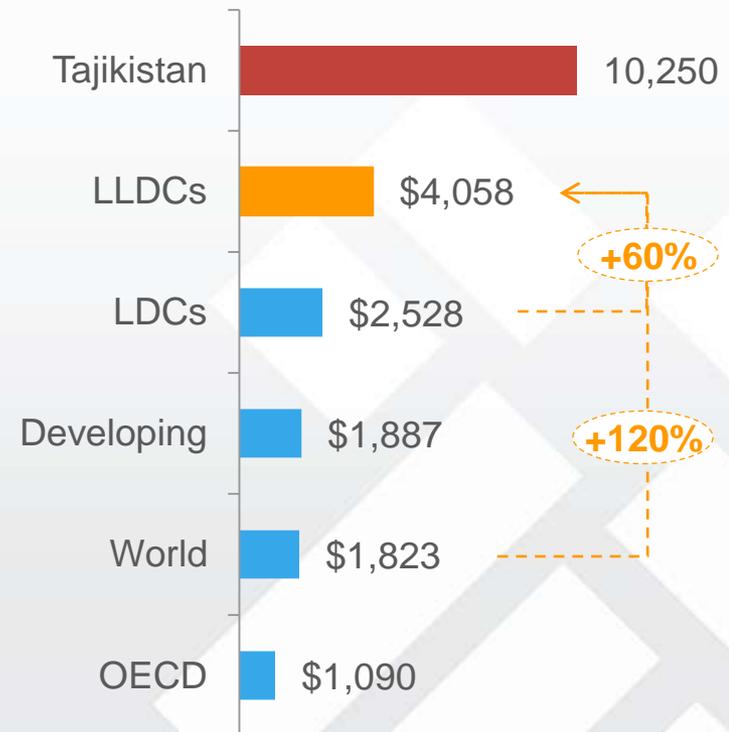
LLDCs cost to export is 65% higher than LDCs average...

\$ to export 20'CT



And 60% higher to import

\$ to import 20'CT



Time as a trade barrier

Time delays and depreciation costs can reduce trade flows even more significantly than trade tariffs

- Each day saved in shipping time is worth 0.8 % ad-valorem for manufactured goods

Time-sensitive products are even more affected by delays at the border

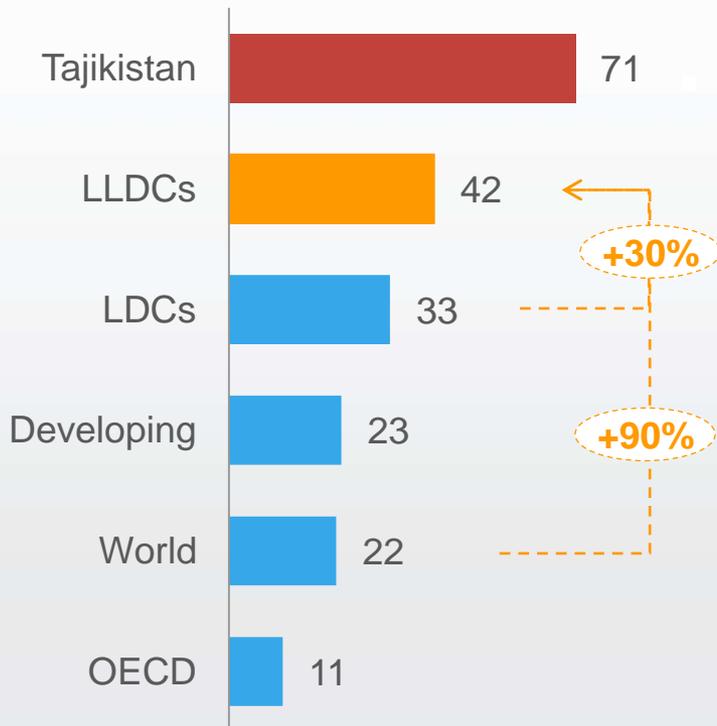
- Perishable, just-in-time

Negative impacts are often reinforced by the lack of predictability in cargo clearance

LLDC time to trade is ~30% higher than LDCs average and double than world average

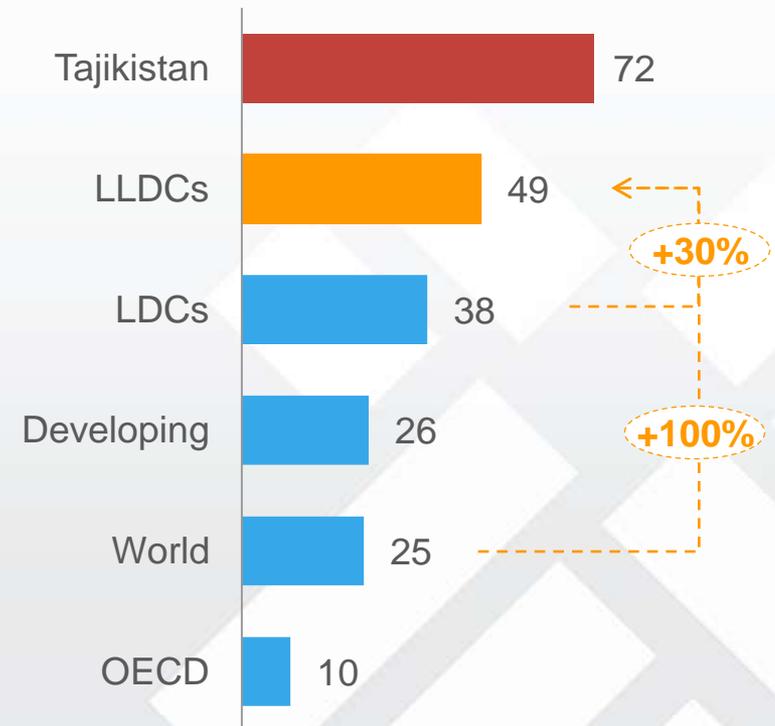
LLDCs time export is 30% higher than LDCs average...

Days to export



...and 30% higher to import

Days to import



What traders want to improve their exports competitiveness ?

At-the-borders

Transparent, accessible and predictable rules and procedures

- Business need to know what to expect

Standardized forms, assembled into a 'single bunch of documents'

- Compatible with trade documents and transport contracts, preferably in electronic format

A single access point to all border regulatory agencies and public services

- To reduce duplication of efforts

Simple, efficient and uniform formalities and procedures

A system based upon justice and reward for compliance

Behind-the-borders

Adequate infrastructure to support trade and transport goods quickly and securely

- Ports, roads, rail, storage facilities

Service providers who can connect buyer and seller efficiently

Means to allow goods to proceed promptly to their final destination

- No longer itineraries, no unpacking, no delays

Have the comfort to be **part of the policy making process**

The Trade Facilitation Agreement meet businesses requirements

What traders want ?

What does the TFA provide ?

Transparent, accessible and predictable rules and procedures



Art. 1 – Easily accessible trade related information
Art. 3 – Issuance of advanced rulings

Standardized forms



Art. 10 – Use of international standards in an effort to promote uniform documentation and data requirements.

A single access point for all public services et agencies



Art. 8 – Border agency coordination
Art. 10.2 – Acceptance of copies
Art. 10.4 – Establishment of a “single window”

Simple, efficient and uniform formalities



Art. 10.7 – Common border procedure and documentation
Art. 10.1 – Periodic review and simplification of formalities
Art. 7.4 – Risk management
Art. 7.6 – Publication of release times

Just and rewarding system



Art. 4 – Procedures for appeal or review
Art. 7.7 – Authorized operators
Art. 6 – Disciplines and fees and charges

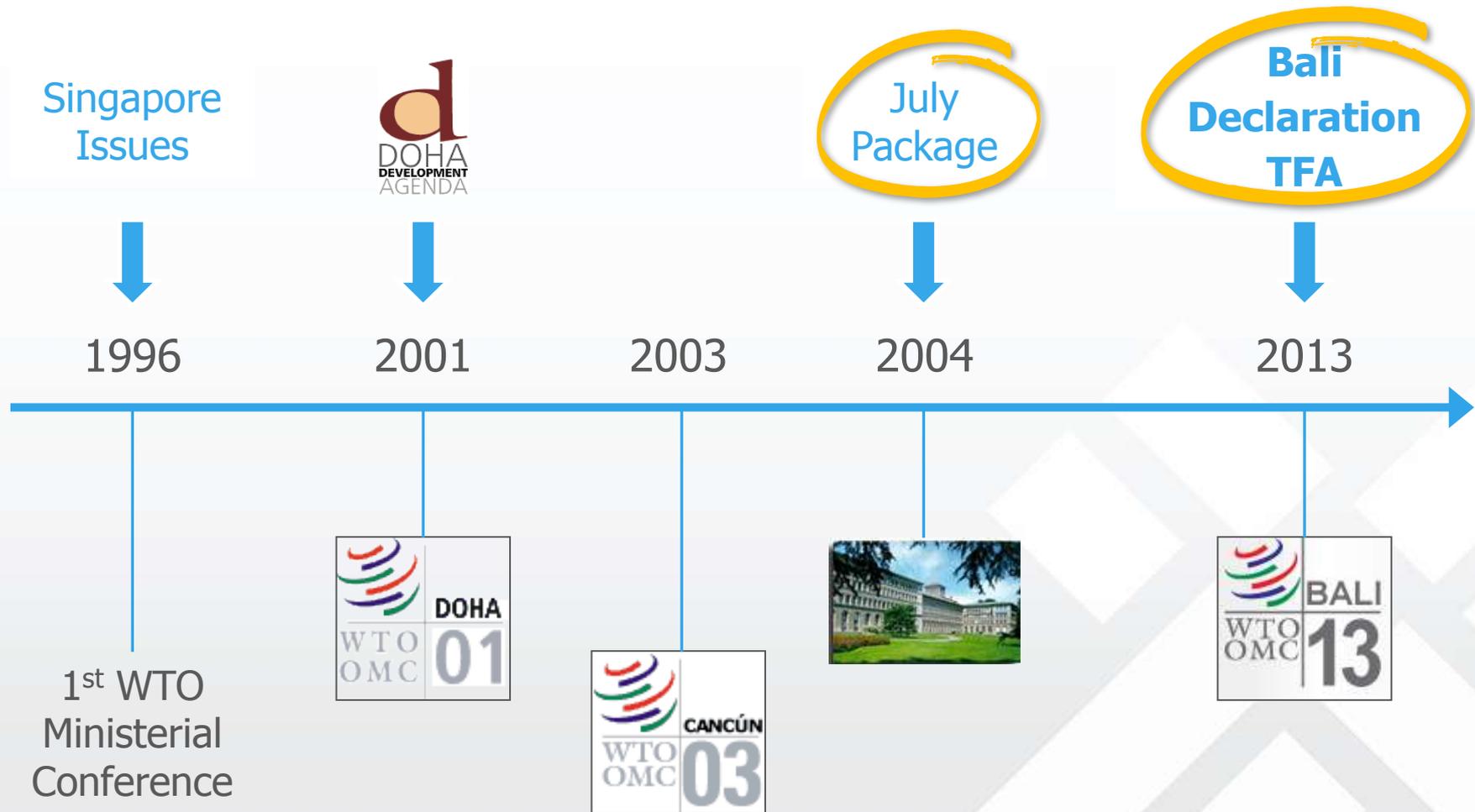
Be part of the policy making process



Art. 2 – Opportunity to comment regulations before entry into force and regular public-private consultation
Art. 13 – Set-up of NTFC

The Trade Facilitation Agreement (TFA)

Time Line of TF Negotiations



Outlook of Bali Ministerial Decision

- ✓ Negotiations on TF concluded
- ✓ Text of TFA agreed
- ✓ Preparatory Committee
Established to:
 - Legal scrubbing of the TFA
 - Adoption of Protocol of Amendment
 - Open Protocol for Acceptance



Immediate next step: ratification process

- ⌚ TFPC to draft Protocol of Amendment
- ⌚ General Council to adopt Protocol before 31 July 2014
- ⌚ Members to go through their internal treaty ratification process and notify acceptance of protocol to WTO
- ⌚ The Protocol will be open for acceptance until **31 July 2015**
- ⌚ The Agreement will enter into force once **2/3 of the WTO Members** ratify it

Is the TFA a treaty with binding legal effect?

TFA is an agreed text (BMD), but not a treaty yet

- i.e. TFA is not yet part of the WTO law

Other 2 steps – authentication , consent – yet to happen for TFA to become a treaty

- Step 1 – Authentication { legal scrubbing of the TFA
Adoption of Protocol of Amendment
- Step 2 – Consent { Domestic process of ratification and
Communication of acceptance to the WTO
Ratification by 2/3rd of WTO Member States

**Requirement of notifying Category A commitments by July 2014
is not a ‘legally enforceable’ obligation**

Relationship with GATT and other Agreements

- Article V, VIII and X of GATT 1994 still hold the full force**
 - As they have not been amended
- TFA cannot diminish any obligations contained in the GATT 1994**
 - Including the V, VIII and X articles
- In case of conflict between GATT 1994, the provisions of the TFA would prevail to the extent of conflict**
 - General interpretive note to Annex 1A
- The TFA cannot diminish the rights and obligations under SPS and TBT Agreement (s)**

Structure of the Trade Facilitation Agreement



Preamble



Section I - Substantive Provisions

| <u>TFA Articles</u> | <u>Scope</u> | <u>GATT articles</u> |
|---------------------|----------------------|----------------------|
| Articles 1 to 5 | Transparency | Article X |
| Articles 6 to 10 | Fees and Formalities | Article VIII |
| Article 11 | Transit | Article V |
| Article 12 & 13 | Other issues | na |



Section II - Special and Differential Treatment



Section III – Institutional arrangements and final provisions

Review of TFA articles 1 to 10

Transparency Articles (1-5)

- 1 - Publication and availability of information
- 2 - Prior publication and consultation
- 3 - Advance Rulings
- 4 - Appeal or Review Procedures
- 5 - Other measures to enhance impartiality, non-discrimination and transparency

Fees & Formalities (6-10)

- 6 - Disciplines on fees and charges imposed on or in connection with importation and exportation
- 7 - Release and clearance of goods
- 8 - Border agency co-operation
- 9 - Movement of goods under customs control intended for export
- 10 - Formalities connected with importation and exportation and transit

Review of TFA other articles

-  **Article 11: Freedom of transit**
-  **Article 12: Customs Cooperation**
-  **Section II Special and Differential Treatment**
 - Dedicated workshop session (Session 3)
-  **Section III: Institutional Arrangements & final provision**
 - Article 23.1: Trade Facilitation Committee
 - Article 23.2: National TF Committee
 - Dedicated workshop session (Session 4)

2 provisions are more important to LLDCs than to other countries

| | <u>Measure description</u> | <u>Impact on trade cost reduction</u> |
|--|--|--|
| <p>Freedom of transit - Art. 11)</p> | <p>Facilitated, transparent and non-discriminatory treatment offered to the goods in transit passing through the national territory</p> | <p>-2.3% { <i>OECD Transit formalities indicator</i></p> |
| <p>Border agency cooperation - Art.8</p> | <p>Coordinating and harmonizing border-crossing procedures both at the national level and for the countries sharing the border to reduce cost and delays</p> | <p>-1.9% { <i>OECD Transit agreements and cooperation indicator</i></p> |

Other articles related to transit

Transit issues have been taking into account in many other provisions

- Publication – *Art. 1*
- Consultation before entry into force – *Art.2*
- Penalties discipline – *Art.6*
- Trade Facilitation measures for Authorized Operator – *Art.7*
- Border agency cooperation – *Art.8*
- Transit formalities and documentation – *Art. 10.1*
- Acceptance of copies – *Art. 10.2*
- Use of International Standards – *Art. 10.3*
- Single Window – *Art. 10.4*

Nature and scope of obligations

Binding

- Art. 11.8 Members **shall** not apply technical regulations and conformity assessment procedures ... to goods in transit

Best Endeavour

- Art. 11.17 Each Member **shall endeavour to** appoint a national transit coordinator

Combination

- Art.1.2.3 Members **are encouraged to** make available further trade related information...
- Art.1.3 Each member **shall, within its available resources,** establish or maintain one or more enquiry points....

Thank you for your attention