Trade Facilitation – Principles and Benefits

What it is and why it matters?
Topics

• Introduction
• What is Trade Facilitation
• Why does it matter
• What does it involve
• The SC perspective
• How to make it happen
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
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…

Why does it matter

- Greater demand for predictability, speed and cost minimisation – especially in international supply chains
- Trade facilitation at the WTO - shift in focus from technical to trade/economic policy perspective – also in regional trade agreements
- Competitiveness – more efficient and effective use of resources
- Trade facilitation and security issues – create advanced information requirements
- Opportunities provided by ICT
In Latin America and the Caribbean, exporting takes about **18 days**, importing takes about **20 days** compared to **OECD average of less than 11 days** for both\(^1\)

Each extra day of delay may reduce trade volume by at least 1% or about 7% if the products are **agricultural commodities** \(^2\)

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\(^1\) WB Doing Business Report (2012)

\(^2\) Djankov, S., Freund, C., and Pham, C. (2008)
Some evidence - cost

The costs of paperwork account for 3.5 – 7% of the value of the goods and even can be as high as 10 – 15% if there are typing and other errors\(^1\)

Each 1% reduction of such costs is worth an economic value of up to USD 43 billion worldwide\(^2\)

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1 OECD (2002)
2 OECD (2003)
UK imported perishable food supply chain generates 1 billion pieces of paper annually.

The total cost of generating paper documentation for perishable sectors (4.5 million document sets) is estimated at £126 million per annum.

Delayed, incorrect or missing paperwork costs over £1 billion per annum for the sectors studied.

Duplicate consignment data is keyed in at least 189 million times every year.

Document-related administration in the sector is estimated to be around 11% of the supply chain value per annum.
Trade facilitation and its stakeholders

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TRADE FACILITATION
“Simplification, harmonisation and standardisation of procedures and associated information flows required to move goods internationally from buyer to seller and to pass payment in the other direction”

UN/CEFACT

Traders & Intermediaries

Business associations

Customs

Other Government Agencies
What businesses around the world want – key issues to be addressed

Predictable and transparent rules and procedures

Simple and smooth processes and formalities

Means to allow goods to proceed promptly to their final destination

A single control point for all public services

Integrated information flows – especially in global supply chains

Priorities for 13,000 SMEs around the world

Source: UNCTAD, 2006

Source: WB, 2009
What does it involve

Trade Facilitation Principles

Transparency
Simplification
Harmonization
Standardization

The Four Pillars

Need full cooperation between government authorities and with the business community

Source: National Trade Development Board Sweden
The supply chain perspective

BUY
- Prepare for export
  - Establish sales contracts
  - Order goods
  - Advise on delivery
  - Request payment

SHIP
- Export
  - Establish transport and deliver goods
  - Provide waybills, goods receipts, status reports
- Transport
  - Transport procedures

PAY
- Prepare for import
  - Obtain import/export licences
  - Provide customs declarations
  - Provide cargo declarations
  - Apply trade security procedures
  - Clear goods for imports/exports
- Import
  - Financial procedures
  - Provide credit rating
  - Provide insurance
  - Provide credit
  - Execute payment
  - Issue statements

The UN/CEFACT Buy Ship Pay Model (Source: UN/CEFACT International Supply Chain Reference Model)
How to make it happen

Trade facilitation is discussed at three levels, which complement each other.
How to make it happen - the national dimension

- Regulatory reforms aiming at a clear, concise, transparent legal framework
- Institutional development, private sector consultation, and inter-agency cooperation
- Introduction and modernization of infrastructure for electronic processing of trade documents and related data exchange, including IT systems
- Changes in business processes and procedures
- Capacity building of implementing managers and officers
Thank you!

For more see TFIG Introduction: [http://tfig.unece.org/details.html](http://tfig.unece.org/details.html)

Link to: