

## Policy tool



# #1

## Trade facilitation

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Speed up customs clearance, reducing GHG emissions associated with inefficient customs procedures and road freight by adopting trade facilitation measures.

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## What is trade facilitation?

Trade facilitation refers to policies aimed at simplifying, modernizing and harmonizing export, import and transit processes, to make international trade more efficient and effective. These measures include improving customs procedures, reducing trade barriers, enhancing transparency and promoting the use of modern technologies and more efficient logistics. By eliminating unnecessary bureaucracy, paperwork and delays, trade facilitation helps to expedite the movement of goods across borders, reduces transaction costs and enhances the competitiveness of businesses.

## How can adopting trade facilitation measures lead to a reduction in carbon emissions associated with customs procedures and help mitigate climate change?

The WTO's Trade Facilitation Agreement (TFA) entered into force in 2017. It aims to simplify, harmonize and expedite customs procedures and border controls between trading partners. The Agreement contains provisions covering various areas, including transparency, advance rulings (i.e. a written decision provided by a member to the applicant prior to the importation of a good), customs cooperation, trade facilitation measures for goods in transit, and the use of modern technologies.

Studies show that a full implementation of the TFA could reduce trade costs by an average of 14.3 per cent and increase global trade by up to USD 1 trillion per year, with the biggest gains in the poorest economies (WTO, 2015). Currently, the rate of TFA implementation commitments stands at around 77 per cent for the full WTO membership, but only at 43 per cent for least developed countries (LDCs), where businesses face some of the highest trade costs.<sup>1</sup> Developing members and LDC members receive assistance with implementation from the WTO TFA Facility, an initiative aimed at helping developing and LDC members assess their specific needs and identifying possible development partners to help them meet those needs.

A key trade facilitation measure is the digitalization of trade processes, to make them more accessible, faster and cost-efficient. Digitalization can also help make trade more climate-friendly by, for example, encouraging the use of electronic documentation, thus reducing paper

## Case study: Mariposa crossing on the US-Mexican border

Trade between the United States and Mexico exceeds USD 1 million per minute, with the majority of this trade transiting through land border ports of entry. The Mariposa port of entry in Nogales, Arizona (United States) is one of 48 border crossings between the United States and Mexico (according to the [Smart Border Coalition](#)). To facilitate freight transport at the Mariposa border crossing, several policies were adopted by the two countries, including:

- the **US Free and Secure Trade Program** (2001), which was established to enhance border security while facilitating the movement of low-risk commercial goods between the US, Canada and Mexico. It included pre-registering drivers, vehicles and cargoes, and certifying every link in the supply chain such as the manufacturer, carrier and importer; and
- the **Joint US-Mexico United in Cargo Processing Program** (2018), which was implemented at certain border crossings, with the aim of harmonizing and expediting the processing of commercial cargo by implementing joint inspections and coordinated customs procedures.

The [US Environmental Protection Agency](#) estimates the two programmes achieved an 85 per cent reduction in GHG emissions and particulate matter emissions at the Port of Nogales-Mariposa crossing, mostly due to a substantial reduction in vehicle queue lengths and crossing times. The United in Cargo Processing Program has since been expanded to nine other locations along the US-Mexico border.

waste and the associated carbon footprint ([UNCTAD, 2021](#)). For instance, paperless, electronic invoicing was found to potentially reduce GHG emissions per invoice by 63 per cent compared to traditional invoicing in Finland ([Tenhunen and Penttinen, 2010](#)).<sup>2</sup>

By aiming to improve border logistics and infrastructure and reduce waiting times at border controls, including at ports and land borders, trade facilitation measures can also help reduce energy consumption and associated GHG emissions from freight transport. For example, by harmonizing and standardizing trade procedures, the TFA reduces duplication and unnecessary inspections, leading to more efficient shipping and freight processes and lower carbon emissions ([WTO, 2022h](#)).

Reducing waiting times at the border is crucial to reduce emissions, particularly when trade volumes are increasing over time. Indeed, a 2016 study that modelled emissions from trucks at a land border crossing predicted dramatic increases in emissions as traffic volumes and congestion rise. A doubling in traffic meant GHG emissions increased 3.5 times, while tripling of traffic led to a sixfold increase ([Reyna et al., 2016](#)).

### **What could be done to align trade facilitation policies with wider climate action policy plans?**

Aligning trade facilitation with wider climate action policy plans can help the transition to a low-carbon economy. Governments could integrate into their nationally determined contributions (NDCs) trade facilitation considerations and the adoption of green customs procedures. These include electronic documentation, harmonizing inspections and expedited conformity assessment procedures, and facilitating the implementation of low-carbon freight transport and more carbon-efficient routes and logistics systems. Governments could also integrate climate mitigation and adaptation considerations in trade facilitation plans.

Additionally, WTO discussions can foster policy coherence between trade and climate objectives by facilitating dialogue and collaboration between members - for example, at the Committee on Trade Facilitation or the Committee on Trade and Environment. By promoting dialogue and knowledge-sharing platforms, WTO regular work can facilitate the exchange of experiences and best practices, allowing members to align the TFA implementation effectively with their climate action policy plans. Developing and LDC members may seek assistance from the TFA Facility.

The WTO Secretariat also operates different technical assistance initiatives and training courses that can help address members' specific situations, particularly in developing and least developed economies. By leveraging its expertise and global network, the WTO Secretariat can support governments in aligning trade facilitation with their wider climate action policy plans. For example, the WTO Secretariat, in cooperation with the World Bank and the World Economic Forum, recently launched the Action on Climate and Trade, a new capacity-building initiative, which aims to help requesting developing economies, including LDCs, use trade to meet their climate change mitigation and adaptation goals.