

*Easing the flow of
goods across borders*

TRADE FACILITATION AGREEMENT

Did you know?

The Trade Facilitation Agreement is the first multilateral trade agreement to be concluded since the WTO was established 20 years ago. Once it enters into force, the Agreement is expected to reduce total trade costs by more than 14 per cent for low-income countries and more than 13 per cent for upper middle-income countries by streamlining the flow of trade across borders.

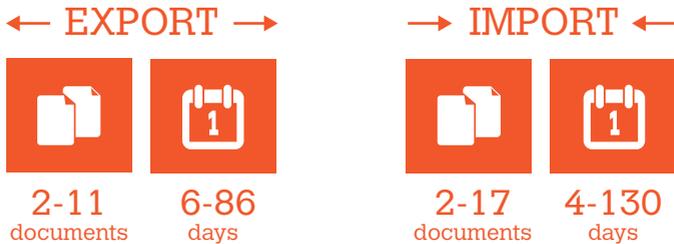


The Trade Facilitation Agreement in brief

Under current border procedures, the average transaction can involve numerous steps (see chart 1). The Trade Facilitation Agreement (TFA) sets forth a series of measures for expeditiously moving goods across borders inspired by the best practices from around the world. The Agreement is ground-breaking in that, for the first time in WTO history, the commitments of developing and least-developed countries are linked to their capacity to implement the TFA. In addition, the Agreement states that assistance and support should be provided to help countries achieve that capacity.

Chart 1: Current customs procedures

Customs transactions vary widely from country to country. In 2014, these transactions involved:



Source: World Bank "Doing Business" project, 2015.

Assistance Organization Special WTO Implementation Information Facilitate
Formality Building Release Border cooperation Goods Transit Publication Technical
Treatment Export Fees Facilitation TFA Consultation
Review Uniformity Customs Committee World Trade Agency
Capacity clearance Appeal Provisions Members
Transparency Legal Agreement Non-discrimination

Entry into force of the TFA

An amendment protocol for the Trade Facilitation Agreement was adopted by the General Council in November 2014 to bring the TFA into the WTO's legal framework. The Agreement will enter into force when two-thirds of WTO members ratify the TFA and deposit their instruments of acceptance with the WTO Secretariat. Hong Kong, China, became the first member to do so in December 2014.

Chart 2: Ratification of the TFA (as at 16 April 2015)



Note: The map shows the WTO members that have ratified the TFA and deposited their instruments of acceptance with the WTO Secretariat.

Source: WTO

Supporting developing countries

Developing and least-developed countries may require help to implement the provisions of the TFA. WTO members have therefore established the Trade Facilitation Agreement Facility as a means to assist developing and least-developed countries in securing assistance and support (see box 1).

Under the Facility, the WTO Secretariat will expand its existing technical assistance programmes, provide information on the assistance programmes made available by donors and other international organizations, and assist with matchmaking of donors and recipients. It will offer two types of grants in situations where no other source of assistance is available.

Developing and least-developed countries evaluate their ability to implement the TFA by selecting one of three categories for each of the Agreement's provisions.

Category A denotes measures that the member will implement by the time the Agreement enters into force (or in the case of least-developed countries within one year after entry into force).

Category B specifies provisions that the member will implement after a transitional period following the entry into force of the Agreement.

Category C indicates provisions that require assistance and support for capacity building to allow the member to implement them after a transitional period following the Agreement's entry into force. As of 9 March 2015, 54 members had notified the WTO of their Category A commitments.

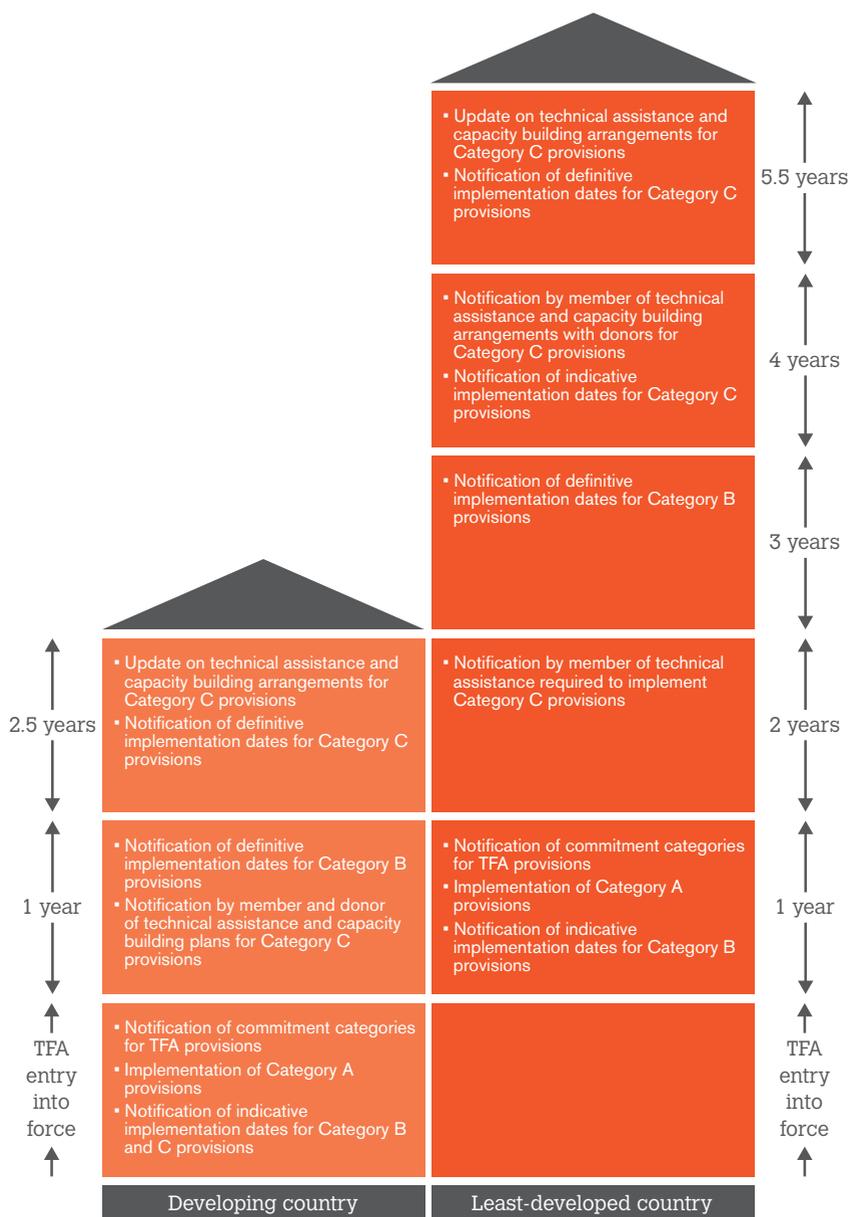
In notifying the WTO of their category A, B and C commitments, developing and least-developed countries are requested to provide timelines for implementation as well as information about any capacities which need to be strengthened (see Chart 3).

14.5 %

Expected reduction in total trade costs for low-income countries once the Trade Facilitation Agreement enters into force.



Chart 3: Notification of TFA categories



Box 1

Trade Facilitation Agreement Facility

The Trade Facilitation Agreement Facility (TFAF) was created to help developing countries and least-developed countries (LDCs) implement the Trade Facilitation Agreement. It became operational when the TFA amendment protocol was adopted by the General Council in November 2014. The Facility acts as a focal point for implementation of the Trade Facilitation Agreement and aims to support developing countries and LDCs by:

- helping them to assess their capacity to implement the TFA and their needs for assistance to implement particular provisions of the Agreement
- maintaining an information-sharing platform to assist with the identification of possible donors
- providing guidance on the implementation of the TFA through the development or collection of case studies and training materials
- undertaking donor and recipient match-making activities
- providing project preparation grants in cases where a member has identified a potential donor but has been unable to develop a project for their consideration, and is unable to find funding from other sources to support the preparation of a project proposal



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- providing project implementation grants related to the implementation of TFA provisions in cases where efforts to attract funding from other sources have failed. These grants are limited to “soft infrastructure” projects, such as modernization of customs laws through consulting services, in-country workshops, or training of officials.

The TFAF complements efforts by regional and multilateral agencies, bilateral donors and other stakeholders to provide trade facilitation-related technical assistance and capacity-building support.

Several major international organizations - the International Trade Centre, the Organisation for Economic Cooperation and Development, the United Nations Conference on Trade and Development, the United Nations Economic Commission for Europe, the World Bank Group, and the World Customs Organization - have pledged to assist WTO members in implementing their commitments under the TFA. The TFAF aims to ensure that no WTO member is left behind.

Conclusions

The Trade Facilitation Agreement will be of benefit to all members of the WTO because the costs of implementing the Agreement are likely to be far less than the expected benefits from improving the flow of goods across borders. The TFA is expected to reduce total trade costs by more than 14 per cent for low-income countries, more than 15 per cent for lower middle-income countries and more than 13 per cent for upper middle-income countries.

Further information on trade facilitation

For the latest information on trade facilitation, visit the WTO trade facilitation webpages: www.wto.org/tradefacilitation

For more information on the Trade Facilitation Agreement Facility, visit the TFAF website: www.TFAfacility.org

