WTO Trade Facilitation Agreement: Implications for Central Asia

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UN Economic Commission for Europe
3 June 2015
Mandate

To develop economic activity and strengthen economic relations within the UNECE region and with the rest of the world

• 1 of 5 regional UN commissions
• 56 member States (all European States, CIS, USA & Canada)
• Neutral, Euro-Asian, Trans-Atlantic
• Secretariat in Geneva: 200 people
UNECE
UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE

Fosters Inter-Governmental Cooperation, Consultation and International Standards Development

Transport  Economic cooperation  Statistics

Sustainable energy  Housing  Trade

Environmental policy  Population & Aging  Forests & timber
Trade in Central Asia

(1) Common goals: modernization and faster development

(2) Supported by different choices: liberalization or protection

(3) Regional trade cooperation and integration would help – i.e. a regional market

(4) So would a common playing field with shared rules via the WTO

(5) Needed trade facilitation; regulatory cooperation and harmonization

(6) Needed: a spirit of regional cooperation & supporting forums
Central Asia is at the crossroad of Eurasia’s trading blocs
Why is its trade potential not realized?

1) Being landlocked, with inadequate infrastructure and under-developed institutions

2) Cumbersome trade procedures, long delays and high trading costs

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</table>
### Why is its trade potential not realized?

#### 3) Neighbours often having similar issues that impact transit cargo

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Central Asian/SPECA WTO Membership

Members
• Kyrgyzstan 1998
• Tajikistan 2013

Candidates
• Afghanistan (2015?)
• Azerbaijan
• Kazakhstan (2015?)
• Uzbekistan

Considering applying
• Turkmenistan
TRADE FACILITATION

Simplification
- Process of eliminating all unnecessary elements and duplications in formalities, processes and procedures

Harmonisation
- Alignment of national procedures, operations and documents with international conventions, standards and practices

Standardisation
- Process of developing internationally agreed formats for practices and procedures, documents and information

Source: UNECE, UNCTAD
A recognition of Trade Facilitation’s great potential to reduce trade costs*

11.7 to 14-1 %  Low income countries

12.6 to 15.1 %  Lower-middle income countries

12.1 to 12.9 %  Upper-middle income countries

*OECD, February 2014
**TFA Commitments: Categories A, B, C**

**Category A**

To be implemented «when the Agreement comes into force» (i.e. to be in place at that moment). This is after 2/3 of WTO members (103) ratify the Agreement.

¡Ojo! Attention! This could be sooner than you expect…
1.1. Each Member shall promptly publish the following information in a non-discriminatory and easily accessible manner:

- Importation, exportation and transit procedures and required forms and documents;
  a) Applied rates of duties and taxes;
  b) Fees and charges imposed in connection with importation, exportation or transit;
  c) Rules for the classification or valuation of products for customs purposes;
  d) Laws, regulations and administrative rulings relating to rules of origin;
  e) Import, export or transit restrictions or prohibitions;
  f) Penalty provisions against breaches of import, export or transit formalities;
  g) Appeal procedures;
  h) Agreements with any country relating to importation, exportation or transit;
  i) Procedures relating to the administration of tariff quotas.
Article 1 Publication and Availability of Information

Inter-Ministerial & Inter-Agency Coordination

Who will coordinate?

Who will ensure **timely** publication (and how)?

Who will ensure **accessibility** (information on 10 separate web sites and in 8 different publications does not qualify!)

Who will identify which **existing information** needs to be published?

Who will identify which **new information** needs to be published
## Article 11  Freedom of Transit

<table>
<thead>
<tr>
<th>Organization</th>
<th>Source</th>
<th>Description</th>
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<tbody>
<tr>
<td>WCO</td>
<td>RKC GA Ch. 1, Ch. 3, Ch.5 and Ch.6 and Specific Annex E Ch.1 WCO Customs Compendium No.3</td>
<td>Customs transit Transit transport operation</td>
</tr>
<tr>
<td>UNECE</td>
<td>TIR Convention UNECE Int'l Convention on Harmonization of Frontier Controls</td>
<td>TIR Convention Int'l Convention on Harmonization of Frontier Controls</td>
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<tr>
<td>UNCTAD</td>
<td>Technical Notes - Freedom of Transit and Regional Transit Arrangement. Bonded Customs Transit</td>
<td>UNCTAD technical notes</td>
</tr>
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</table>
Trade and Transport in a Region

Customs Transit Needed for:

• A country to be linked to trade routes

• Smooth border procedures allowing inland declaration

• Economic development through free zones, inward processing
Several Kinds of Customs Transit Systems

National transit

Bilateral or multilateral transit
Closed system between two or more countries (access on invitation)

Global transit ➔ TIR
Same documents /seals/guarantees
Article 11   Freedom of Transit

This requires:
Cooperation
Coordination,
Harmonization
with multiple transit countries

Having 10 different transit procedures is better than none but is still very expensive and time consuming for traders
Geographical scope of the TIR Convention
Article 23: Institutional Arrangements

23.2 National Committee on Trade Facilitation
Each Member shall establish and/or maintain a national committee on trade facilitation or designate an existing mechanism to facilitate both domestic coordination and implementation of the provisions of this Agreement.

Joint UNECE, UNCTAD and ITC Recommendation and Publication available in the next 6-8 weeks
Article 10  Formalities Connected with Importation, Exportation and Transit

1. Formalities and Documentation Requirements
2. Acceptance of copies
3. Use of international standards
4. Single Window
5. Pre-shipment inspection
6. Use of Customs Brokers
7. Common Border Procedures and Uniform Document Requirements
8. Rejected goods
9. Temporary admission of goods/ inward and outward processing
From:

Open borders where Customs stop the “bad guys”

To:

Protected borders where Customs let the “good guys” pass

(Head of Belgian Customs)
Convention on the Harmonization of Frontier Controls of Goods, 1982

• 57 Contracting Parties

• Latest accessions: Jordan, Lao People’s Democratic Republic, Moldova, Tunisia, Iran, Tajikistan, Morocco

• Expressed interest to join: China
UNECE Definition of a Single Window

“A Single Window is a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export, and transit-related regulatory requirements.

If information is electronic, then individual data elements should only be submitted once”.

UN/CEFACT Recommendation 33
UN Recommendation 33 on Single Window

Recommends that Governments to establish a Single Window for Cross Border Trade

Defines features:

• … one time submission
• ..of standardized information and documents

• sharing of information amongst government agencies;

• coordinated controls and inspections of the various governmental authorities;

• Allow payment of duties and other charges;

• Be a source of trade related government information.
Streamlining trade information: The Single Window

FROM

Mountains of paper
Up to 30 % mistakes

TO

One time submission, re-use of information, co-ordinated control
The Single Window (SW) in Singapore & Korea

- **In Singapore**, the SW System (Trade Net) allows the business community to:
  - submit **100 % of trade applications** (9 mln per year) to all concerned government authorities
  - with a processing time of **10 minutes**

- **In Korea**, the SW System:
  - Processes **80% of all import applications** (3,000 per day)
  - It is used by **17 participating organizations** and about **16,068 businesses** from the trade community (as of December 2009).

- **In both countries** Firms’ savings in labor, printing, paper delivery, storage, inventory costs, etc. amount to approx **US$ 1 billion per year**
Diversity of Single Window models

• Financing
  - By the State (Finland, Sweden, United States),
  - By the private sector (e.g. Guatemala, Germany)
  - Public-private partnership (e.g. Ghana, Mauritius, Senegal, Singapore)

• Use of Single Window
  - Compulsory (Finland, Guatemala, Mauritius, Senegal)
  - Voluntary (Germany, Malaysia, Sweden, United States)

• Fees
  - Free (Finland, Sweden, United States)
  - Paid based on various payment schemes (Guatemala, Germany, Malaysia, Mauritius, Senegal, Singapore)
How to automate data processing for Single Window: Four Steps

Digital Documents

Data Model

Documentation simplification

Business Process Analysis and Simplification

Objectives

Define the electronic documents

Define information exchanged in Single Window

Analyse, simplify and standardise paper documents

Define and simplify Business Processes
Too many documents...

- Enquiry
- Order
- Despatch advice
- Collection order
- Payment order
- Documentary credit
- Forwarding instructions
- Forwarder’s invoice
- Goods receipt
- Air waybill
- Road consignment note
- Rail consignment note
- Bill of lading

- Freight invoice
- Cargo manifest
- Export licence
- Exchange control doc.
- Phytosanitary certificate
- Veterinary certificate
- Certificate of origin
- Consular invoice
- Dangerous goods declaration
- Import licence
- Customs delivery note
- TIR carnet

Source: UNCTAD 2006
<table>
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<th>Field</th>
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Example - Data Harmonization of 4 documents (Exporting Rice)

Standardization and Data Harmonization can reduce the data elements from 24+63+30+38=155 data elements to 70 data elements for a standardized data set.
Electronic data exchange requires very precise data definitions

TDED 3404 Person name
Family name and given names of an individual.

Person Name

- Nickull, Duane A.
- Mr. Nickull
- Duane Nickull
- D. A. Nickull
- Duane A. Nickull
- Duane Allan Nickull
- Nickull, Duane Allan
- Mr. D. Nickull
- Monsieur D.A. Nickull

The UN Centre for Trade Facilitation and Electronic Business develops standardised data definitions as found in the UN Trade Data Elements Directory and the Core Components Library
http://www.unece.org/cefact.html
Too much to do...
Too much to remember
Where to start???

1) Be careful what you commit to and for when
2) Set priorities and pay attention to sequencing
3) Do low-cost, high-return projects first whenever you can
4) Plan and include Key Performance Indicators so that you can demonstrate results
5) Remember donor funds may come later than expected
6) After setting up your National Trade Facilitation Committee, seriously consider preparing a National Trade Facilitation Strategy
7) Use existing resources
A tool for simplifying cross-border trade
ABOUT THE GUIDE

Purpose
Present concepts, standards and recommendations that can help simplify trade throughout the international supply, along with implementation approaches & methodologies.

Target
• Policymakers and high-level managers
• Implementers and technical experts
....from governments, businesses and international organizations

Format
• A web-based interactive tool at http://tfig.unece.org/
• In a wikipedia style (with entry points and cross links to navigate contents)
• Available in Arabic, English, French, Russian and Spanish
There is a special itinerary on the WTO TFA
TFIG shows all WTO TFA articles and links to different instruments for implementing them

<table>
<thead>
<tr>
<th>Article</th>
<th>TF Instrument</th>
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<tr>
<td>WCO</td>
<td>RKC, General Provisions (General Agreement on Tariffs and Trade) Ch. 9</td>
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<td></td>
<td>Recommendation (1996) on the introduction of programmes for binding pre-entry classification information</td>
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<td>WCO Recommendation (1970) on the improvement of Tariff Classification work and related infrastructure (Appendix Part II)</td>
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<td>WCO Technical Guidelines on Binding Origin Information</td>
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<td>Links to Pages in the guide with more information</td>
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<td>(red text are generic papers, blue color are specific relevant instruments)</td>
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<td>Advance ruling</td>
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• Assessing regulatory and procedural measures in trade (new version printed in 2013) in EN and RU

• A methodology tailored to capture behind and at-the-border trade-related procedural and regulatory barriers to trade.

• Highlights the inter-play between the identified barriers and their impact on export competitiveness; supports the provision of detailed recommendations
Findings and recommendations from Assessment studies are used to:

i) **identify priority action-areas** for reducing regulatory and procedural barriers to trade, and ii) structure sequenced interventions


Upcoming: Albania and Moldova
UNECE is also developing a, *Guide on how to write a national TF strategy*, building on lessons learned from a project to Support Greece’s Trade Facilitation Reform.

A TF Roadmap is a document that summarizes the national trade facilitation strategy for the medium term (three to five years).

It defines the overall national TF policy objectives, the set of actions to be undertaken, the key performance indicators (KPI) to measure implementation progress and the timelines.
UN Special Programme for the Economies of Central Asia (SPECA)

Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan
SPECA Project Working Group on Trade (PWG)

Strengthening support to the Region

• UNECE invites countries of the region and the region’s development partners to deepen their collaboration in support of regional trade cooperation

• Brainstorming high-level Seminar, 3 July 2015,

• Palais des Nations, Room XII
Possible areas of work

• Developing national and regional trade facilitation strategies/road maps;
• Exchanging best practices and building regional cooperation;
• Supporting integration into the global rules-based trading system (WTO), including through:
  – exchanges of experience among the countries’ WTO negotiators;
  – reinforcing national efforts to implement the WTO Trade Facilitation Agreement;
• A regional study on regulatory and procedural barriers to trade;
• Examining the opportunities and challenges presented by trade with large neighbours to the region;
• Supporting development of regional supply chains in priority sectors.
Thank you

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