



WORLD TRADE
ORGANIZATION



BENEFITS OF THE WTO'S TRADE FACILITATION AGREEMENT

SESSION 3: IMPLEMENTATION OF THE TRADE FACILITATION AGREEMENT

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In November 2014, WTO members adopted a Protocol of Amendment which is a necessary step towards making the Trade Facilitation Agreement an integral part of the WTO Agreements. As you know, the Trade Facilitation Agreement (or "TFA") was successfully negotiated at the Bali Ministerial Conference in December 2013 as part of a wider set of ministerial decisions. WTO members now face the task of ratifying the Agreement so as to bring it into force. Two-thirds of the WTO membership must complete their domestic ratification process for the TFA to come into force. In this connection, we very much welcome the Government of Tajikistan's show of leadership in ratifying the Agreement – one of the very first WTO Members to do so.

The WTO's Trade Facilitation Agreement represents an important milestone by creating an international framework for reducing trade costs. Early estimates by the OECD suggested that implementation of the TFA would reduce trade costs by 10%. More recent OECD estimates increase this to 14.5%. Of course, trade facilitation can be implemented unilaterally, but a multilateral agreement brings added value. First, it provides greater legal certainty to the changes in policy. Second, it helps reforming governments marshal support from domestic constituents. Third, it helps solve a coordination problem that would have been created by different approaches to changing border procedures.

There are varying estimates of the value of implementation of the Trade Facilitation Agreement. One frequently referenced report by the Peterson Institute estimates that trade facilitation reforms will expand global trade by as much as \$ 1 trillion annually. The OECD estimates that 2/3rd of the gains from the TFA will accrue to the Developing Countries. But not only do developing countries capture a big share of the trade expansion; they are also able to diversify their exports, entering new markets and selling a wider array of products. Moreover, the increase in global economic

activity brought about by the implementation of the TFA will provide a badly needed dose of momentum at this time of global economic weakness.

Implementing the TFA will also increase the opportunity for countries, and developing countries in particular, to integrate into global value chains (GVCs). GVCs have played a key role in the rapid expansion of trade in a large number of developing countries and this result suggests that the circle of beneficiary countries will continue to expand in the future. As small and medium enterprises suffer more from administrative burdens than larger enterprises, they are expected to benefit considerably from implementation of the TFA. The Agreement will also help developing countries attract more FDI, increase customs revenues and reduce the incidence of corruption.

While the benefits of the Trade Facilitation Agreement significantly outweigh the costs of implementation, implementation still poses a challenge to resource-strapped developing countries. The TFA itself provides a vital part of the solution as its S&D provisions give developing countries ample scope for differentiated undertakings that depend on their level of capacity and the receipt of assistance. The availability of international donor assistance helps governments in developing countries shore up domestic support for implementation. This cannot be emphasized enough as the biggest success factor identified from previous country cases of successful reform is national ownership of the process. The WTO is uniquely placed to match demands for capacity building from developing countries with the supply of capacity building assistance from bilateral, regional and multilateral donors.

Beyond these quantifiable economic benefits, there are systemic effects that augur well for the global trading system and the multilateral rules that underpin it. The Trade Facilitation Agreement is the first multilateral agreement successfully negotiated at the WTO since its founding two decades ago. This illustrates that global rule-making is alive and well and able to effectively address impediments to commerce that concerns today's businesses. Since the Agreement forms part of the mandate of the Doha Ministerial Declaration, the WTO's success with the TFA also offers hope that the long-stalled negotiations are reviving and developing much needed impetus.

Of course, these benefits will not appear automatically. As I noted at the outset, the TFA requires the acceptance by two thirds of the WTO membership to enter into force. This means that we need over a hundred Members to ratify the Accord. Getting to this threshold will be a new challenge, and one that is different from the difficulties we faced in the past. There have always been problems to overcome - quite a few of them - but they were linked to the Geneva process, and could mainly be addressed at the WTO. Capitals were of course closely involved, as they always are, but the process was multilateral and Geneva focused.

With the Agreement and related Protocol now having been adopted in the respective WTO bodies, the focus has shifted to capitals and to countries. The ball is now in the hands of domestic stakeholders who have to get the Agreement through their domestic ratification processes for it to be successfully implemented. Only then can the TFA provide the benefits we want and expect.

Those domestic processes have their own dynamics – and challenges. In many countries, they require approval by the parliament, with all the political and procedural aspects involved. Some countries also still have concerns about the specific requirements of the implementation process and about their resource and technical capacity to get the Agreement up and running.

The good news is that there is no obvious opposition to getting this done. In fact, we sense a real eagerness to see the Agreement enter into force without undue delay. A large number of developing countries have already notified the commitments they plan on undertaking from day one. The other good news is that donors on all sides have stepped up their support programmes and stand ready to roll them out.

Hope has been expressed that the TFA can enter into force by the WTO's 10th Ministerial Conference, which will take place in Nairobi in December. APEC Ministers have recently added their voice in declaring that, "Achieving entry into force of the Trade Facilitation Agreement by MC10 would bring significant contribution to the sustainability of global trade, and highlight the value of the WTO to its stakeholders around the world." Tajikistan's ratification of the TFA is an important step down this road and we hope that others will be inspired to quickly follow in their footsteps.
