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**REPORT OF THE EXPERT MEETING ON EFFICIENT TRANSPORT AND TRADE
FACILITATION TO IMPROVE PARTICIPATION BY DEVELOPING COUNTRIES
IN INTERNATIONAL TRADE: PROBLEMS AND POTENTIAL FOR THE
APPLICATION OF CURRENT TRADE FACILITATION MEASURES
BY DEVELOPING COUNTRIES**

Held at the Palais des Nations, Geneva
from 25 to 27 November 2002

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Chapter I

CHAIRPERSON'S SUMMARY

Introduction

1. In accordance with the request of the Commission on Enterprise, Business Facilitation and Development at its sixth session, the Expert Meeting on Efficient Transport and Trade Facilitation to Improve Participation by Developing Countries in International Trade: Problems and Potential for the Application of Current Trade Facilitation Measures by Developing Countries was held from 25 to 27 November 2002. The issues discussed included the following:

1. General approach to trade facilitation;
2. Security and trade facilitation;
3. E-technology and trade facilitation;
4. Landlocked and transit countries and trade facilitation;
5. Measuring the effectiveness of trade facilitation;
6. Multilateral rules on trade facilitation;
7. Legal framework;
8. Implementation of trade facilitation measures;
9. Institutional aspects of trade facilitation.

2. The meeting benefited from presentations by panellists and national experts¹ on their experiences in trade facilitation.

1. General approach to trade facilitation

3. Although there are various definitions of the concept of trade facilitation, experts generally agreed that trade facilitation can be understood as a simplification process encompassing internationally recognized customs and practices, standardization of physical facilities and means, and harmonization of trade and transport laws and regulations. Trade facilitation is also both an information-processing and an environment-building activity allowing long-term solutions that should benefit all stakeholders in the trade and transport sectors, and thus be a factor for trade and economic growth.

4. In order to be an effective instrument for trade development, trade facilitation needs to be approached in a comprehensive and coherent manner embracing all facets of trade transactions. There was a wide measure of agreement that it needs to be raised from a primarily technical level to a policy level in order to ensure the formulation and implementation of coherent facilitation policies.

¹ Presentations on national experiences were made by experts from Albania, Algeria, Bhutan, Bolivia, Djibouti, Ghana, the Islamic Republic of Iran, Jamaica, Jordan, Nigeria, Pakistan, Sweden, Togo and Uganda.

5. Experts agreed that trade facilitation was a clear priority not only for developing but also developed countries. However, developing countries would require extensive assistance in order to be able to implement efficient systems. This assistance would have to extend to all elements of trade facilitation identified during the Expert Meeting.

6. Experts drew attention to the need for the involvement of all stakeholders in the definition and implementation of trade facilitation measures, as well as to the need for support at the policy level. Public–private partnerships were an essential tool for arriving at generally acceptable solutions. However, attention was drawn to the difficulties faced by developing countries in establishing such partnerships.

2. Security and trade facilitation

7. Experts discussed the recent measures adopted by the United States authorities, which will soon enter into force. These measures will affect international trade going to United States markets and are intended to enhance the security of supply chains, detect high-risk cargoes at ports of origin and establish new partnerships among customs administrations. Measures are currently being developed in multilateral forums such as the International Maritime Organization (IMO) and the World Customs Organization (WCO). The vulnerability of international trade to terrorism, strategies to be applied at the national and international levels, and the mobilization of technology and human capital to counter terrorism were among the main security-related subjects discussed by the experts.

8. Today about half of the value of world trade moves in containers. An analysis of the world container trade system — currently over 200 million TEUs of port movements per year — showed that it was vulnerable and open to abuse. The fact that a container could be used to carry weapons of mass destruction into a country could have devastating consequences for world trade. New security threats will require a change in the way international trade and transport operations are conducted and entail a re-engineering of current practices.

9. The design and application of new strategies such as the Container Security Initiative (CSI) and the Customs–Trade Partnership Against Terrorism (C-TPAT), and advance information filing prior to vessel lading are examples of the measures adopted by the United States authorities in that connection. The implementation of these strategies is based on the use of non-intrusive technologies to inspect containers, information systems that allow risk management techniques to be applied and enough manpower suitably qualified to carry out field controls.

10. Experts believed that security-related actions could help to provide accurate and timely information necessary for risk analysis and subsequently for customs clearance. Closer cooperation between national customs administrations, including those in developing countries, would help the international community to build better monitoring systems and to preserve the global integrity of trade. Financial and technical resources would be required by developing countries to allow them to benefit from those measures. The discussions revealed,

however, that implementation rules still needed to be established or refined in order to avoid undue disruptions of trade.

3. E-technology and trade facilitation

11. The use of e-technologies in trade facilitation was apparent from the presentations made by major transport operators. It was stated that the physical movement of containerized cargo was simple and straightforward, while the complexity resulted from the documentary processes associated with physical movements. To improve the situation, one major transport operator had adopted a strategy to process the majority of transactions through the use of e-technologies by the end of 2004. The company website and electronic data interchange (EDI) links were already in place and were being used by traders in both developed and developing countries.

12. A representative of the freight forwarding industry confirmed that the use of e-technologies was central to trade facilitation and could enable developing countries to make significant improvements in the movement of goods. The elimination of the negotiable bill of lading would allow e-documentary transactions to flow unimpeded and integrate with companies' production, procurement and marketing processes. The promotion of web tools could enable less advanced countries to surmount traditional trade barriers. However, it was clear that, in many places, simpler measures, such as maintenance of facilities and equipment, simplification of cumbersome procurement and customs procedures, delegation of authority to relevant officials and improved training of staff, would result in significant improvements.

13. The experts agreed that the use of information and communication technology was an important element for implementing trade facilitation measures and sharing information. It was noted, however, that there was a need to simplify and harmonize procedures using internationally agreed standards, rules and instruments as an initial step.

4. Landlocked and transit countries and trade facilitation

14. Various aspects of trade facilitation in the context of landlocked and transit countries were examined by the experts through presentations of national experiences. The development of domestic and international physical transport infrastructure was considered to be an essential element for those countries. It emerged from the experts' discussions that regional and subregional transport agreements and legislation have been adopted, for example in the Latin American region (Andean Community of Nations (CAN), comprising Bolivia, Colombia, Ecuador, Peru and Venezuela, and the Southern Common Market (MERCOSUR), comprising Argentina, Brazil, Paraguay and Uruguay). These agreements aim at facilitating transit traffic and promoting efficient transport operations. They regulate transport operations on the basis of equal access to markets, non-discriminatory treatment and free competition. They also cover customs matters as well as issues pertaining to insurance requirements, transport contracts and multimodal transport. The establishment of bilateral border points for joint customs, immigration and health controls is another method for facilitating the flow of transit traffic.

15. Public–private partnerships were considered to be an effective measure in addressing the problems of transit countries. For example, a management agreement between Djibouti and an international terminal operator had succeeded in increasing port productivity, and thus allowed the effective transit of goods for Ethiopia. Furthermore, the development of a bilateral transit agreement had contributed to the increased efficiency of transport services.

16. The problems of developing trade between two landlocked countries were illustrated by the case of exports of goods from Uganda to Zambia, which required the use of four railway networks and lake ferries. Differences in physical infrastructure, such as different rail gauges, which increased costs since goods had to be shifted from one railway system to another, were an example of the problems encountered.

17. Transit problems of landlocked countries are among the issues to be considered at the Ministerial Conference of Landlocked and Transit Developing Countries and Financial and Development Institutions on Transit Cooperation scheduled to be held in August 2003. The experts were informed about the preparatory process for that conference, which is scheduled to take place in Almaty (Kazakhstan). It will be preceded by regional meetings in Africa, Asia and Latin America, as well as by two intergovernmental preparatory committee meetings.

5. Measuring the effectiveness of trade facilitation

18. The experts were informed about studies conducted in a number of countries in an attempt to measure the impact and gains of trade facilitation. Greater customer value, reduced delays and increased security for transactions, together with increased business opportunities and revenues, were mentioned as some of the benefits of trade facilitation. In Peru a five-year programme to improve customs clearance delays on imported cargo had reduced average delays from 30 days to 24 hours and had resulted in an estimated saving of US\$ 72 million in the year 2000 for the companies involved.

19. Studies carried out by the Organisation for Economic Co-operation and Development (OECD) on the business benefits of trade facilitation focused on direct and indirect costs of trade transactions. Qualitative and quantitative assessments were made for the public sector and companies where areas for substantial costs savings had been identified. However, it was difficult to come up with a single agreed figure. A study conducted in Pakistan had indicated that potential savings resulting from the implementation of trade facilitation measures could be as high as the bill paid for the nation's sea freight.

20. The Customs Time Release Study developed by the WCO provided a tool to formalize the evaluation of the benefits that accrued from trade facilitation. To support this initiative, the World Bank has decided to prepare a software package so that such studies could be carried out by several countries in a standard manner.

21. Studies still needed to be undertaken to address the issue of apparent lack of demand for trade facilitation measures in many developing countries. There was a perception that

typical trade facilitation measures benefiting large trading entities in some developing countries were not always accessible to medium-size and small companies. The true potential of trade facilitation would be achieved by extending the reach of such measures to all companies and trade transactions.

22. The experts agreed that quantification of the benefits of comprehensive trade facilitation programmes was an extremely difficult task. Although existing cost-benefit analyses were generally limited to the assessment of specific and well-defined trade facilitation measures, it was agreed that there were substantial gains to be achieved from undertaking of such assessments.

6. Multilateral rules on trade facilitation

23. The first round of discussions on trade facilitation, under the Doha Development Agenda, of the WTO's Council for Trade in Goods has reached the stage of a sum-up session. Several proposals to clarify and improve Articles V, VIII and X of the General Agreement on Tariffs and Trade (GATT) have been made by various WTO members. These countries propose that the WTO's Rules on Trade Facilitation be strengthened. Negotiations are scheduled to start after the Cancún Ministerial Conference, following agreement on the modalities of the negotiations.

24. Experts discussed the merits of having either multilateral binding rules for trade facilitation or best endeavours rules, both of which might be required. An extensive discussion also took place on the linkages between new rules and the other two elements of the Doha mandate: needs and priorities, and technical assistance and capacity building. While it was clear that many developing countries would need assistance in determining their needs and priorities and implementing any new rules, there was considerable debate about the modalities of any possible trade facilitation agreement. On the other hand, a clear consensus emerged on the need to help developing countries improve their participation in international trade through the application of already agreed and existing standards, whether binding or not.

25. Finally, there was general agreement that the identification of needs and priorities as well as the definition of technical assistance in developing countries should include such elements as needs for infrastructure and human and financial resources to implement GATT Articles V, VIII and X, which were currently under consideration, and that the analysis should not only reflect the actual situation but also help to quantify those needs.

7. Legal framework

26. It emerged from the discussions that trade would be greatly facilitated by the existence of an appropriate legal framework that would promote certainty, predictability and uniformity of rules and regulations applicable to international trade. The discussions revealed that a number of developing countries were currently undertaking the preparation and implementation of legislation aimed at improving trade and transport efficiency. References

were made to areas where the lack of an international legal framework resulted in individual countries and regions having to resort to national and regional approaches on important issues such as regulation of liability for multimodal transport operations. While multimodal or door-to-door transport was becoming increasingly important, particularly for developing countries, there was no applicable uniform international legal regime. Consequently, the proliferation of diverse and disunified laws and regulations resulted in further disunification at the international level. It was pointed out that discussions were continuing in an international forum for the preparation of an international legal instrument on the subject and that it was essential that developing countries participate in the process in order to ensure that their interests were taken into account. In this context, it was noted out that organizations such as UNCTAD, and the United Nations Economic and Social Commission for Asia and the Pacific and other regional commissions, could play an important role in providing the necessary assistance to developing countries.

27. Another issue arising from the discussions was the use of electronic means of communication in international trade. It was generally agreed that information technology would significantly facilitate trade by reducing the costs and delay resulting from the production of numerous documents involved in international trade and transport. Experts made particular reference to the problems arising from the use of traditional negotiable transport documents such as bills of lading. Traders were urged to avoid using negotiable bills of lading whenever possible. The use of non-negotiable documents such as sea waybills would clearly facilitate transition to an electronic environment. It was pointed out that the legal framework in most countries, particularly developing countries, did not permit the use of electronic means of communication, including electronic signatures.

8. Implementation of trade facilitation measures

28. The discussion on the implementation of trade facilitation measures highlighted the need for an adequate focal organization to build up trade facilitation programmes. It was pointed out that there is limited scope for international action in a context where between 30 and 40 per cent of international transactions are carried out as intra-trade — that is, between subsidiaries of transnational companies — and where up to 90 per cent of the information processing is carried out within the exporting and importing countries. According to this view, information management of international trade transactions is mainly a domestic task.

29. Experts recognized that, at the national level, there should not be any need to create new structures to carry out trade facilitation central functions, and that the necessary networking supporting trade facilitation measures should take advantage of platforms or focal points already located in public or private entities. It was important that such organizations be networked, thereby creating an institutional framework that could adequately respond to a comprehensive and coherent approach to trade facilitation at the national level.

30. Experts agreed that the implementation of trade facilitation measures was an ongoing process, part of a nation's development, which required transparency and trust among partners in the public and private sectors, and at the national and international levels. Efforts

were required at the national level with the greatest political will and support. Using the existing national networks of trade and transport associations, interrelating various sectoral partnerships, was probably the most desirable solution, but in certain cases the creation of a national body might be needed in order to introduce change. Transparency was an essential goal for achieving results; it implied publications, training and help desks to assist the trading community in understanding the rules. The successful implementation of some trade facilitation measures did not necessarily require the use of information and communication systems.

31. Another view expressed was that trade was truly international and that countries needed standard and homogeneous processes and regulations, possibly enforced by an international body such as the WTO. An alternative option could be to develop and implement, where necessary, simple, reliable and effective procedures endorsed by private bodies and public organizations, but not necessarily stemming from international agreements. A step-by-step methodology to identify the nature of the problem and the correct approach for developing countries was presented and discussed as a means of mapping the current situation and developing appropriate practical solutions as required by developing countries. This methodology should also be used to cost the trade facilitation reforms and find the necessary financial and technical resources to implement the proposals.

9. Institutional aspects of trade facilitation

32. The experts also discussed the involvement of various international and United Nations bodies, such as the WCO, WTO, World Bank and OECD, and the United Nations Economic Commission for Europe, ESCAP and other regional commissions, as well as UNCTAD, in the area of trade facilitation. It was generally agreed that greater cooperation among the various organizations concerned was essential, since it would provide the relevant competence and experience to contribute to more effective implementation of trade facilitation programmes.

33. The present circumstances, including multilateral discussions within the WTO and new security measures to be considered at WCO, IMO and the International Labour Organization, have caused urgent and widespread attention to be paid to trade facilitation. They provide a unique opportunity for considering and designing the long overdue structural approach to building more efficient trade institutions in developing countries. For this purpose, it is essential that potential internationally binding rules and new security measures be assessed in conjunction with commitments to implement appropriate technical assistance and capacity-building measures that would secure long-lasting infrastructure for trade development through efficient trade and transport institutions.

34. With new international challenges arising for developing countries, the need was emphasized for organizations involved in trade facilitation to further streamline their trade facilitation activities through the identification of areas of specialization, cooperation and integration. Furthermore, reliance should be placed on local, national and regional

experiences and know-how, as opposed to traditional technical assistance based on foreign expertise.

35. Additional initiatives could be considered that would gather together and link trade facilitation networks at national and local levels. Such initiatives would be open to private and public sectors alike, as well as to all organizations actively involved in trade facilitation.

Chapter II

ORGANIZATIONAL MATTERS

A. Convening of the Expert Meeting

36. The Expert Meeting on Efficient Transport and Trade Facilitation to Improve Participation by Developing Countries in International Trade: Problems and Potential for the Application of Current Trade Facilitation Measures by Developing Countries was held at the Palais des Nations, Geneva, from 25 to 27 November 2002.

B. Election of officers

(Agenda item 1)

37. At its opening meeting, the Expert Meeting elected the following officers to serve on its bureau:

Chairperson: Mr. Debabrata Saha (India)
Vice-Chairperson-cum-Rapporteur: Mr. Joaquin Bellmunt (Spain)

C. Adoption of the agenda and organization of work

(Agenda item 2)

38. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in document TD/B/COM.3/EM.17/1. The agenda for the Meeting was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Problems of and potential for the application of current trade facilitation measures
4. Adoption of the report of the Meeting

D. Documentation

39. For its consideration of the substantive agenda item, the Expert Meeting had before it a note by the UNCTAD secretariat entitled 'Problems of and potential for the application of current trade facilitation measures' (TD/B/COM.3/EM.17/2).

E. Adoption of the report of the Meeting

(Agenda item 4)

40. At its closing meeting, the Expert Meeting authorized the Rapporteur to prepare the final report of the Meeting under the authority of the Chairperson.

Annex

ATTENDANCE *

1. Experts from the following States members of UNCTAD attended the Meeting:

Albania	Jordan
Algeria	Kenya
Angola	Kyrgyzstan
Bangladesh	Madagascar
Bhutan	Malaysia
Bolivia	Malawi
Brunei Darussalam	Mauritius
Burkina Faso	Mongolia
Burundi	Nepal
Cameroon	Niger
China	Nigeria
Congo	Norway
Côte d'Ivoire	Oman
Cuba	Pakistan
Czech Republic	Paraguay
Democratic People's Republic of Korea	Peru
Democratic Republic of the Congo	Philippines
Djibouti	Portugal
Dominican Republic	Qatar
Egypt	Republic of Korea
El Salvador	Republic of Moldova
Equatorial Guinea	Romania
Ethiopia	Russian Federation
Fiji	Saint Lucia
Georgia	Senegal
Ghana	Sweden
Greece	Switzerland
Guinea	Syrian Arab Republic
Guyana	Togo
Hungary	Tunisia
India	Uganda
Iran (Islamic Republic of)	United States of America
Italy	Yugoslavia
Jamaica	Zimbabwe

* For the list of participants, see TD/B/COM.3/EM.17/INF.1.

2. The following intergovernmental organizations were represented at the Meeting:

African, Caribbean and Pacific Group of States
European Commission
Organisation for Economic Co-operation and Development
Organisation Internationale de la Francophonie
World Customs Organization

3. The following specialized agency and related organization were represented at the Meeting:

United Nations Industrial Development Organization
World Trade Organization

4. The following United Nations agencies were represented at the Meeting:

Economic Commission for Europe
Economic and Social Commission for Asia and the Pacific
Office of the High Representative for the Least Developed Countries, Landlocked
Developing Countries and Small Island Developing States
Office of the United Nations High Commissioner for Refugees

5. The following non-governmental organizations were represented at the Meeting:

General Category

International Federation of Inspection Agencies
International Multimodal Transport Association
International Road Transport Union

Special Category

International Federation of Freight Forwarders Associations

6. The following panellists attended the Meeting:

Mr. Poul Bjerre, Maersk Sealand, Denmark
Mr. Roberto Cecutti, European Chemical Industry Council (CEFIC), Belgium
Mr. Ken Nieze, Senior Vice President, Global Customer Development and Sales,
Kühne & Nagel Management AG, United Kingdom
Mr. Francisco Ourique, CAMEX, Brazil
Mr. A. Zibaoui, Secretary General, Association of Mediterranean Chambers of
Commerce and Industry (ASCAME)
