Trust Fund for Trade Facilitation Negotiations[1]
Technical Note 13

Simplification of trade documentation using international standards

Background

Documents are the support to collect information and data. Document requirements in international trade serve different purposes. These may include for example documents required as part of governmental procedures, supply chain management and payment requirements. Managing the various documentary requirements becomes problematic as the information need to be submitted to different agencies in different countries and languages, on difference forms, and with various supportive documents attached to them. National and international businesses, traders and transport operators have to cope with numerous documents and forms (sometimes up to 40 originals), often containing redundant and repetitive data and information (200 data elements on average).

The World Bank **Doing Business Study** www.doingbusiness.org provides country-specific data on document requirements for export operations, informing of opportunity costs induced by trade document processing. The data shows that in many developing countries the costs for document preparation are the biggest cost factor in the export process. For example, Indian exporters experienced costs of $350 for document preparation, $120 for Customs clearance, $150 for port and terminal handling and $200 for inland transport. The costs for document preparation in a country with highly simplified and automated processes such as Germany were reported at $85 per shipment. The data indicates that for developing countries and transition economies document simplification and automation is an important instrument to increase competitiveness at competitively low investment costs.

Simplification of trade documents, therefore aims at reducing document and data requirements and aligning them to international standards. Aligned trade documents are the first step towards paperless processing of documents and Customs automation.

Benefits

Simplified and standardized trade documentation yields tangible benefits:

- Fewer documents, and forms that are easier to complete;

- Reduced time, money and human resources resulting in lower total transaction costs;

- Harmonized data elements that facilitate the document transmission between countries and remove language barriers;

- Easier reproduction and fewer mistakes as data is entered only once;

- Improved administrative controls; and

- Smoother transition to automation and electronic document submission.

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[1] This Technical Note has been produced jointly by the United Nations Economic Commission for Europe (UN-ECE) and UNCTAD.

International standards for documents, data elements and electronic transmission

Over the past 40 years, the United Nations has launched several initiatives to move towards simplified and standardized trade documentation. Examples include:

- The United Nations Layout Key (UNLK) was first adopted in 1963. It is essentially a master layout design from which other trade documents (administrative, commercial) can be derived. It organizes coded information (address, buyer, seller, documentation requirements for certain products, etc.) in a box format, in fixed locations on a document. Using the UNLK ensures that the same information and data are found in the same places on all documents, and the same format is used regardless of paper size. Some information items and data contained in the UNLK are based on international standards, such as the Code for the Representation Names of Countries (ISO 3166), Numerical Representation of Dates, Time and Periods of Time (ISO 8601:2000), Alphabetic Code for the Representation of Currencies (ISO 4217), the geographic coding scheme UN/LOCODE, and others. Forms created with the UNLK are called "Aligned Paper Documents".

Examples of international documents based on the UNLK

Regulatory documents:
- Single Administrative Document (SAD, European Union)
- Phytosanitary Certificate (Plant Protection Convention)
- Certificate of Origin (WCO Revised Kyoto Convention)
- GSP Certificate (UNCTAD)
- Dangerous Goods Declaration (UNECE)
- Dispatch Note for Post Parcels (World Post Convention)

Transport documents:
- Standard Bill of Lading (International Chamber of Shipping)
- Freight Forwarding Instructions (FIATA)
- International Road Consignment Note (CMR)
- International Rail Consignment Note (CIM)
- Universal Air Waybill (IATA)
- The IMO Standardized Forms (FAL 1-7)

- The United Nations Trade Data Elements Directory (UNTDED, ISO 7372) provides definitions for the most important terms used in trade documents and in international trade. The publication is maintained and published jointly by the International Organization for Standardization (ISO) and the United Nations Economic Commission for Europe (UNECE). The WCO Data Model is based on the UNTDED.

- The United Nations Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT, ISO 9735) comprises internationally-agreed standards, directories and guidelines for the electronic interchange of structured trade data between independent computerized information systems.

- The United Nations Core Component Library (UN CCL) is a library of technology neutral building blocks to define information which can be implemented in different syntax. The UN CCL is based on the ISO 15000-5 (ebXML) standard. It builds on both the UNTDED and UN/EDIFACT

standard. The data structures can be expressed either in UN/EDIFACT or in extended Mark-up Language (XML).

- The United Nations electronic Trade Documents (UNeDocs) to provide the equivalent of paper documents in electronic format. UNeDocs is based on the UNLK and the UN CCL.

Implementation issues

For the implementation phase, a sequential step-by-step approach can be envisaged, as follows:

- Simplifying and harmonizing the underlying processes, regulations and procedures;

- Simplifying and standardizing layouts of documents and data requirements; and

- Transforming into electronic formats and transmitting documents electronically.

Requirements

A starting point for the simplification is a sound analysis of the existing trade procedures and requisite formalities and documentation, the commercial and documentation practices, as well as the ICT systems used to generate and process trade documents. This could be done by taking one trade operation as an example and by listing all the necessary steps including licensing requirements, commercial documents, governmental formalities and documents, border crossing processes, inspection and related requisite time.

Based on this analysis, the procedures and formalities can be simplified, and information requirements common to several procedures and agencies identified. Common data elements in the main trade documents can be collected to constitute the basis for a national UNeDocs application. Requirements of the different IT systems by public and private operators can be examined in view of introducing one common standard for the transmission of the data.

Once the new aligned documents are developed, a test run for one specific import or export procedure can be undertaken involving public agencies and traders. When the new documents are validated, stakeholders should be informed and trained to use these documents and, if necessary, training should also be provided in relation to the relevant IT systems used. Throughout the entire process, an active involvement of private traders, transport operators, agents, insurers, commercial banks, and forwarders would be beneficial.

Example: NITPRO

In 2002 NITPRO, the Nigerian Committee on Trade Procedures analysed 12 trade documents. These documents included: Bill of Lading, Invoice, Form 'M', ICO Certificate of Origin, Single Goods Declaration (SGD) Form, Packing List, Combined Transport Bill of Lading, Road Tally Sheet, Consignee Bill of Terminal Delivery Order, Quality Certificate, Certificate of Analysis, Nigerian Export Proceeds Form (NXP), Export Invoice and Certificate of Fumigation. Re-engineering of these documents, aligning them to the United Nations Layout Key, was carried out by the Central Bank of Nigeria, Nigerian Customs Service, Nigerian Ports Authority and Nigerian Shippers Council. See Trade Policy Review Nigeria, WTO WT/TPR/S/147, 2005.

The Trade Documents Toolkit, developed by the United Nations Regional Economic Commissions helps trade facilitators to design national trade documents aligned to the United Nations Layout Key. It contains an electronic toolkit for the development of write-enabled paper documents in PDF format, a handbook and sample document forms, and a library of resources for the alignment of trade documents. Documents developed with the Toolkit can be used for later extension to UNeDocs electronic trade documents. Prior to using the Toolkit, it might be necessary to carry out analysis of existing procedures and related documents with a view to rationalizing or complementing them. For this purpose, and to put the toolkit to practical use, technical assistance might be needed. In addition, Customs officials as well as other users of aligned trade documents should benefit from training.

Thailand

The Government of Thailand has started a process of establishing a national Single Window for e-Logistics. Several initiatives have been taken, including those whereby important national trade documents were simplified and aligned to the United Nations Layout Key. The Ministry of Transport completed a process of analyzing transport documents and modelling of the relevant documents and business processes using the UNeDocs. Data requirements from 57 transport-related documents were analysed and harmonized. The initial number of 1,346 data elements could be reduced to 210 data elements. The Ministry of Information and Communication Technology commissioned a similar initiative for other 310 documents related to permits and licenses from controlling government agencies. Royal Thai Customs has replaced its traditional EDI system with ebXML-based e-export and e-import systems. It is working with 28 government agencies to integrate electronic licenses and permits with customs declaration information for faster cargo clearance.

Tools for the simplification of trade documentation

UNECE instruments

More details on UNeDocs are available at www.unece.org/etrades/unedocs/.

The following UN/CEFACT Recommendations provide more information on the standards and its implementation and can be found at http://www.unece.org/cefact/recommendations/rec_index.htm:

- Recommendation No. 1: UN Layout Key;
- Recommendation No. 6 Aligned Invoice Layout Key for International Trade;
- Recommendation No. 16 Code for Trade and Transport Locations UN/LOCODE;
- Recommendation No. 22 Layout Key for Standard Consignment Instructions;
- Recommendation No. 25 Use of the UN Electronic Data Interchange for Administration, Commerce and Transport Standard (UN/EDIFACT).

World Customs Organization

WCO instruments include the WCO Customs Data Model. It is a global Customs standard to implement reduced data requirements and electronic submission of declarations and supporting documents. It forms the basis for the development of common electronic messages based on international standards.

International Maritime Organization

The IMO Convention on Facilitation of International Maritime Traffic (IMO-FAL) includes in its Standard 2.1 a list of documents that public authorities can demand from a ship and recommends the maximum information and number of copies. It has developed Standardized Forms for seven documents.

Trade Documents Toolkit

A set of tools and guidelines, developed by the five United Nations regional economic commissions (ECE, ECLAC, ECA, ESCWA and ESCAP), for the design of national, sectoral and company trade documents and forms, based on international standards and other tools. UN Toolkit for aligned trade documents, see: http://unece.unog.ch/etrade/tkhome.aspx.

UNCTAD

The UNCTAD Expert Meeting 2006 was organised on the topic of ICT solutions to facilitate trade at border crossings and ports. The Background document (TD/B/COM.3/EM.27/2) and the report of the meeting (TD/B/COM.3/EM.27/3) can be found on the UNCTAD website. www.unctad.org.

Further UNCTAD Technical Notes

Further Technical Notes are available via http://www.unctad.org/technicalnotes.

See in particular:

- Technical Note No. 3 (Use of Customs automation systems)
- Technical Note No. 9 (Documentation requirements in maritime transport)