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Expert Meeting on Trade Facilitation as an Engine for Development
Geneva, 21–23 September 2005

**REPORT OF THE EXPERT MEETING ON TRADE FACILITATION AS AN
ENGINE FOR DEVELOPMENT**

Held at the Palais des Nations, Geneva
from 21 to 23 September 2005

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Chapter I

CHAIRPERSON'S SUMMARY

Introduction

1. The Expert Meeting on Trade Facilitation as an Engine for Development was held from 21 to 23 September 2005, pursuant to a decision by the Commission on Enterprise, Business Facilitation and Development at its ninth session. Experts had before them the background document prepared by the secretariat, "Trade Facilitation as an Engine for Development" (TD/B/COM.3/EM.24/2).
2. The meeting provided a forum for exploring emerging issues and examining trade and transport facilitation policy and action alternatives that would support countries' development strategies.
3. Experts came from trade, transport and other ministries and agencies, as well as from private-sector organizations, public and private transport companies, and specialized organizations dealing with trade, transport and multilateral negotiations.
4. This summary groups substantive discussions under the following headings:
 - Trade and transport facilitation and development
 - Trade facilitation and regional integration
 - Private-sector expectations from the WTO negotiations on trade facilitation
 - Implementation of trade facilitation measures
 - Conclusions and the way forward

Trade and transport facilitation and development

5. Trade as a proportion of national income is more important for many developing countries than for most large developed economies. International trade involves goods, services, transport operations, vehicles and infrastructure. Each of these elements entails interactions between different agencies, ministries and private-sector players. This in turn results in a need for extensive consultations and coordination among these stakeholders.
6. The potential medium-term revenue gains from trade and transport facilitation are estimated to be 2 to 3 per cent of the total value of traded goods. Important benefits of trade and transport facilitation measures relate to time savings, which often outweigh direct cost savings.
7. Obstacles to transport and trade include differing standards and regulations, inadequate transport infrastructure, insufficient use of information and communication technologies (ICT), and lack of liability and cargo insurance and protection for national operators. One frequent practical impediment to international trade relates to the multiplicity

of certificates (e.g. certificates of origin) and to lack of uniformity regarding which certificates are required and which parties are entitled to issue such certificates. Commitments regarding trade facilitation that might emerge from the ongoing negotiations at the WTO could be particularly beneficial for certain developing countries. South-South and intra-regional trade in particular would benefit from multilateral trade facilitation agreements.

8. Trade facilitation can reduce the overall cost of international trade transactions through the internationally agreed alignment of key trade and transport procedures and documents. The need for facilitation has increased during the last decade because of trends in international manufacturing, improved market access through tariff reduction, the new geography of trade, and the introduction of ICT.

9. While trade facilitation is crucial, building capacity to ensure that national operators can compete on a level playing field is also important. One way to capitalize on trade facilitation efforts is to identify niches for national transport operators along the logistics chain. In this way, value-added operations are created, and national transport operators can enter the new market and compete without prejudice to national importers and exporters.

10. Also worth noting is the growth of the courier and express delivery services sector. This evolution reflects changing trading patterns and globalized production processes. Enabling such trade is important not only for countries wanting to participate in this growing industry, but for all countries that trade in time-sensitive goods or where production processes depend on just-in-time deliveries.

11. In considering well-known obstacles, it was pointed out that, in many countries, compulsory use of customs brokers' services increases costs and often results in additional delays, as these brokers are not always aware of current procedural requirements. In response to this view, some experts argued that customs brokers play an important role in ensuring compliance with existing rules, especially when traders are not able to perform the customs clearance tasks themselves due to their limited experience and knowledge of national rules, laws and practices.

12. One big challenge in the promotion of trade and transport facilitation is the fact that implementation costs are immediate, while benefits are potential and cannot be counted on in the longer term. This situation often makes it difficult to convince the decision makers to engage in reform, even though benefits are likely to outweigh costs. More specifically, in highly indebted countries and least developed countries (LDCs), the conviction that reform is needed does not always translate into concrete action.

13. However, studies presented at the meeting suggested a positive relationship between development and trade facilitation indicators. This correlation is evidenced by the extensive requirements for signatures, stamps and physical inspections prevailing in low-income countries and by the degree of corruption associated with paper-based documentation. One study indicated that import delays are the result of pre-arrival documentation (59 per cent), customs clearance (16 per cent), port operations (12 per cent) and inland transportation (13 per cent).

14. To ensure the implementation of common standards in transport- and customs-related matters, many developing countries are bringing their internal legal frameworks into line with

the provisions of various international conventions and other instruments relating to trade facilitation, including the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention 1975), the International Convention on the Simplification and Harmonization of Customs Procedures (the revised Kyoto Convention 1999) and the Convention on Transit Trade of Land-Locked States (1965).

15. Increasing security concerns and requirements increase the need for trade and transport facilitation. Here, close international cooperation and coordination between the public and private sectors are crucial.

16. The recently adopted World Customs Organization (WCO) Framework of Standards to Secure and Facilitate Global Trade is intended to provide a structured platform for the implementation of trade security measures and to give the business community the chance to reap various benefits from trade facilitation.

Trade facilitation and regional integration

17. Regional economic integration initiatives usually focus on trade liberalization, tariff reduction and quota abolition. However, trade facilitation issues too have received increased attention in recent years. In fact, several specific trade facilitation measures, including those related to transit trade and coordination at border crossings, are often included in the trade promotion agendas of regional organizations. Likewise, removal of trade barriers is recognized as a driver of regional integration and development.

18. Typical regional activities concerning trade and transport facilitation include capacity building, regional customs bond guarantee schemes, rules of origin, the licensing of clearing agents, common customs standards, regional unification of documents, and mutual recognition of third-party motor vehicles and drivers' licenses. Schemes enabling cooperation between customs authorities and regional networks of chambers of commerce also exist at the regional level.

19. Furthermore, regional mechanisms, such as agreements to simplify visa procedures, are often established to facilitate the movement of people. Given that vehicles which move traded goods also require the movement of people, such schemes also facilitate trade in goods.

20. Trade depends on effective financial systems for imports and exports, including cargo insurance and customs guarantee schemes. Several regional integration initiatives include efforts to spur the creation of regional banks and settlement schemes.

21. Eastern and southern Africa's main challenges in intra-regional trade relate to customs clearing agents, clearing fees, demurrages, transit periods, revenue leakage and transport infrastructure. As to transit delays, specific constraints relate to inadequate capacity of agents, excessive documentation requirements, corruption, lack of coordination, insufficient use of adequate ICT, and incomplete information about applicable rules and regulations.

22. It was suggested that, in western Africa, a regional initiative be developed to establish a coordinating body or agency mandated to coordinate implementation of agreed WTO trade

facilitation measures in the region. It was argued that differing capacities among countries in the region and individual circumstances require an overarching body to oversee and coordinate implementation of trade and transport facilitation measures. In southern and eastern Africa, COMESA has embarked on several regional trade and transport facilitation initiatives, especially as regards transit trade.

23. In South America, many trade facilitation initiatives are closely linked to the Initiative for Regional Integration in South America (IIRSA) and its infrastructure programmes. Trade and transport facilitation may be incorporated into regional integration processes such as the adoption of ICT, multimodal transport, financial instruments and regional energy markets. Other major initiatives are taking place within sub-regional groupings, in particular MERCOSUR.

24. In central and western Asia, a particularly important issue relates to transit trade, as the region includes many land-locked countries and, as a whole, is located between major trading blocs, whose trade transits through the region. The Economic Cooperation Organization (ECO) is working on several programmes to facilitate transit trade.

25. Land-locked countries depend heavily on effective trade and transport facilitation and require adequate transport infrastructure, an enabling legal framework, an effective administrative setting, and human resources and ICT capacity.

26. It was recognized that, while cooperation through bilateral or regional transit arrangements is essential, agreements or instruments adopted at the local and regional levels should remain consistent with the objectives of relevant internationally agreed conventions.

Private-sector expectations from the WTO negotiations on trade facilitation

27. The report on the status of current WTO negotiations highlighted the fact that these negotiations are Member-driven. At the time of the Expert Meeting, more than 60 proposals had been made by developed and developing WTO Members. The proposals tackled a wide spectrum of measures relating to trade and transport facilitation, ranging from possible improvements and clarifications to Articles V, VIII and X of the GATT to customs cooperation, technical assistance, capacity building, special and differential treatment, and cost implications.

28. Activities by WTO, UNCTAD and other international organizations in support of these negotiations, including capacity building and technical assistance, are progressing according to conferred mandates and established work plans.

29. The “private sector” includes various business interests, including large and small companies, service providers and users, national and international enterprises, and established companies as well as companies attempting to enter new markets. Companies with such different interests do not necessarily share the same motivations to support trade facilitation measures.

30. Despite their diverging interests, private-sector agents face common obstacles and challenges throughout their operations. As a result, many participants agreed on a number of

guiding principles that should be taken into account when designing a new WTO Agreement on trade facilitation.

31. Key elements expected to form part of a WTO trade facilitation agreement include transparent rules, regulations and processes; the requirement to consult with business and other interested parties before enacting new laws or regulations; publication of relevant information and availability of enquiry points; reasonable and non-discriminatory fees and charges; simplification of border procedures; use of risk-based management methodologies; standardization of documents; establishment of single-window facilities; a review mechanism to assess the merit of and/or need for a given regulation or rule; improved, coherent and coordinated approaches to customs and other agencies; and enabling provisions for the use of ICT.

32. Some experts stressed the need for a comprehensive and coherent agreement that would be manageable, understandable and implementable. Furthermore, positive management led by prominent international organizations was also suggested. To ensure compliance with and enforcement of the provisions of the Agreement, litigation pursuant to the Agreement should, as a last recourse, be referred to the WTO dispute settlement mechanism.

Implementation of trade facilitation measures

33. The implementation of trade facilitation measures needs to rely on local knowledge, build on regional trade and transport facilitation networks, and make use of existing tools. Implementation also requires the broadest possible commitment from government institutions as well as from the business community.

34. Regarding the introduction of facilitation measures at border crossings, it was argued that local stakeholders need to be involved in such a project from the outset. Misperceptions about associated costs and benefits can cause a project to fail. Indeed, local communities may view such a project as being to their disadvantage and may therefore strongly oppose reforms at border crossings. Another factor discussed was the need for clear arrangements for the ownership and operation of installations at borders, as well as careful selection of a lead institution. Examples of relevant border crossing initiatives include a "single window" and joint physical installations and operations for customs administrations.

35. Experts said that trade and transport facilitation must not exclude physical infrastructure. This appears to be a particular concern in the context of the ongoing WTO negotiations, where the improvement and clarification of Articles V, VIII and X of GATT 1994 mostly focus on "soft" procedural issues, leaving out the hard – and costly – issues of physical infrastructure. At the same time, it was noted that trade and transport facilitation has benefits beyond those of being an add-on to infrastructure projects.

36. Several reports on national experiences suggested that trade and transport facilitation measures can have positive effects for a country's general development. The introduction of new technologies by the public sector may encourage countries' smaller importers and exporters to modernize their own trade procedures. Capacity-building initiatives to support trade and transport facilitation will most likely raise the general level of technological

awareness and literacy. Similarly, legal reforms necessary in the context of the ratification of international conventions may encompass a broader overhaul of outdated national legislation. Finally, general efforts to promote integrity can benefit from trade and transport facilitation measures that reduce individual civil servants' discretion in interpreting rules and regulations.

37. Several cases were mentioned where customs modernization had a significant positive impact on revenue collection. In fact, even in cases where tariff rates have been reduced, customs automation has more than offset the losses from these reductions, leading to an overall increase in duties collected. In one case mentioned, customs modernization helped to reduce clearance time from 18 days to less than one day. Customs reform requires a commitment not only by the public sector but also by private-sector agents who may oppose such reform. Customs automation must not be limited to the introduction of new ICT but needs to be part of a broader customs reform and capacity-building agenda.

38. It was recalled that some solutions recently proposed by the WCO, such as the time release study and guidelines/recommendations on integrity, could be relevant for addressing trade and transport facilitation matters and in particular good governance. Integrity-related instruments included the Declaration of the Customs Co-operation Council Concerning Good Governance and Integrity in Customs of June 2003 (Revised Arusha Declaration), the Model Code of Ethics and Conduct, and the Compendium on Integrity Best Practices of May 2005.

39. Experience in some African countries suggests that successful implementation of trade facilitation measures relies on public-private partnerships, cooperation with regional trade and transport facilitation networks, political will, and the inclusion of private-sector stakeholders in capacity-building programmes.

40. The "single window" concept is a particularly important trade facilitation measure, as it provides a platform on which to build further trade facilitation programs. Single windows have been established in several developing countries. In one African country, the operation of a single window replaced 40 documents required for imports and exports. Among the key factors contributing to the success of this initiative was the continuity of human resources in relevant ministries. Another important factor was the early and complete involvement of both the customs administration and major private-sector stakeholders. Experts also took note of reported positive experiences of cooperation between single-window initiatives in a number of developing countries.

41. The level of automation and the level of technology used in different facilitation measures can and should vary, depending on the realities of each country. For example, a single window in countries with a trading community that is familiar with sophisticated technologies is likely to use more automation than a single window in countries where traders and service providers are less exposed to current technology. In this context, experts highlighted the need for technical and financial assistance to implement ICT-based trade facilitation measures.

42. Regarding implementation of the WTO negotiations outcome on trade facilitation, it was recalled that Annex D of the "July package" provides that LDCs and other developing countries will not be obliged to implement measures that are not commensurate with their implementation capacities. Furthermore, Annex D stipulates that special and differential

treatment should extend beyond merely granting longer transition periods. Currently there are discussions at the WTO to establish a mechanism to assess implementation capacities and the appropriateness of special and differential treatment.

43. Experts discussed linkages between the different aspects of Annex D of the July package, in particular the linkages between the proposed trade facilitation measures and countries' capacity to implement them. Some were of the view that measures should be agreed before technical assistance was deployed, so that the required implementation capacity could be developed. Others saw a need for further and continuous technical assistance and capacity building, tailored special and differential treatment, and a related oversight mechanism. This would mean that technical assistance should be provided before any commitment was made, as well as after an agreement is reached, so that the latter can be implemented.

Conclusions and the way forward

44. Countries are different, and trade facilitation and development strategies need to be tailored to the specificities of, for example, land-locked, least developed and small island developing states. This being said, many of the case studies presented agreed in their conclusions regarding the general benefits of an efficient trade and transport facilitation system. These benefits include increased international competitiveness and foreign direct investment, human resource development, knowledge transfer, GATT compliance and improved government revenue collection.

45. Existing bureaucratic obstacles have an enormous cost for business, as well as for state revenues. Reducing these obstacles benefits the private and public sectors alike.

46. Trade and transport facilitation will play an increasing role in ensuring the integration of LDCs, land-locked countries and other disadvantaged countries into the global economy. Coordinated action is required to support these countries in their efforts. It is important to aim for an equitable balance of the benefits of trade and transport facilitation measures among all trading partners.

47. Implementation of trade facilitation measures requires a thorough analysis of existing bottlenecks and costs, as well as a comparison of current practices with international standards and benchmarks. Regional and international organizations, including UNCTAD, can make valuable contributions to these analyses.

48. ICT can be expected to play an increasing role in the design and implementation of trade and transport facilitation measures and programmes. Customs automation will continue to be especially important, and it is expected that UNCTAD's Automated System for Customs Data (ASYCUDA) will continue to play an important role here.

49. Institutional mechanisms need to be created or strengthened to ensure the integration of trade and transport facilitation into the development process. Assistance is required both with institution building and with training and capacity building.

50. There is overwhelming evidence that close cooperation between all affected parties and joint efforts and partnership between the private and public sectors are crucial for reforms

to be effective and sustainable. One such mechanism is the Global Facilitation Partnership for Transportation and Trade (GFP),¹ which provides extensive information on trade and transport facilitation, including documents, events and recent developments. The site is maintained jointly by relevant international organizations including the World Bank, UNCTAD, UNECE, UNIDO, WCO and WTO.

51. Regional organizations will play a key role in advancing trade facilitation and in implementing measures that may result from a multilateral agreement on trade facilitation. Technical cooperation with international bodies, especially as regards capacity building, is essential, and here UNCTAD should continue to play an important role.

52. Land-locked countries and small island states confront with particular challenges which deserve special attention by the international community. Specific related actions include the sharing of experiences with methodologies used to collect customs charges and fees that reflect services rendered.

53. Aid for trade is fast becoming a necessity. Financing technical assistance and training schemes as well as new basic infrastructure in the area of trade and transport facilitation can play an important role here.

54. International organizations, including UNCTAD, are providing valuable support to the negotiations on trade facilitation at the WTO. Experience suggests that such support benefits greatly from involvement by the private sector, as well as from close coordination between experts from capitals and Geneva-based negotiators. Particular attention needs to be paid to assisting the implementation of commitments agreed to in the WTO negotiating process.

¹ www.gfptt.org

Chapter II

ORGANIZATIONAL MATTERS

Convening of the Expert Meeting

55. The Expert Meeting on Trade Facilitation as an Engine for Development was held at the Palais des Nations, Geneva, from 21 to 23 September 2005.

Election of officers (agenda item 1)

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

Chairperson: H. E. Mr. Juan Antonio March (Spain)

Vice-Chairperson-cum-Rapporteur: Mr. Dayaratna Silva (Sri Lanka)

Adoption of the agenda (agenda item 2)

57. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in document TD/B/COM.3/EM.24/1. The agenda for the meeting was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Trade facilitation as an engine for development
4. Adoption of the report of the meeting

Documentation

58. For its consideration of the substantive agenda item, the Expert Meeting had before it a note by the UNCTAD secretariat titled "Trade facilitation as an engine for development" (TD/B/COM.3/EM.24/2).

Adoption of the report of the meeting (agenda item 4)

59. 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:

Afghanistan	Japan
Algeria	Jordan
Angola	Kenya
Bangladesh	Latvia
Barbados	Lebanon
Belarus	Madagascar
Benin	Malaysia
Bhutan	Mauritania
Bolivia	Mauritius
Botswana	Mexico
Brazil	Mongolia
Burkina Faso	Mozambique
Cambodia	Myanmar
Canada	Nepal
China	Netherlands
Côte d'Ivoire	Oman
Czech Republic	Panama
Egypt	Paraguay
France	Philippines
Gabon	Poland
Germany	Qatar
Haiti	Republic of Korea
Honduras	Russian Federation
Indonesia	Saudi Arabia
Italy	Senegal

* For the list of participants, see TD/B/COM.3/EM.24/INF.1.

Slovakia	Uganda
Spain	United Kingdom of Great Britain and Northern Ireland
Sri Lanka	United States of America
Suriname	Uzbekistan
Sweden	Viet Nam
Switzerland	Yemen
Syrian Arab Republic	Zambia
Thailand	Zimbabwe
Trinidad and Tobago	

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

Economic and Social Commission for Asia and the Pacific

Economic Commission for Africa

Economic Commission for Europe

International Trade Centre

United Nations Development Programme

3. The following specialized agencies and related organizations were represented at the meeting:

International Monetary Fund

United Nations Educational, Scientific and Cultural Organization

4. The following non-governmental organizations were represented at the meeting:

General Category

BPW International

General Union of Chambers of Commerce, Industry and Agriculture for Arab Countries

Special Category

International Federation of Freight Forwarders Associations

International Multimodal Transport Association

5. The following panellists attended the meeting:

Trade and transport facilitation and development

Ms. Angela Strachan, Commonwealth Secretariat, London, United Kingdom
Mr. Marc Juhel, World Bank, Washington DC, United States
Ms. Claudia Etzrodt, CLAAS Agricultural Machinery
Ms. Marelía Martínez Rivas, Trade and Facilitation Consultant, Washington DC,
United States
Mr. Shondeep Banerji, SITPRO Ltd., United Kingdom

Trade facilitation and regional integration

Mr. Arnold Nkoma, Common Market for Eastern and Southern Africa
Mr. Orhan Isik, Economic Cooperation Organization
Mr. Jonathan Claridge, European Commission

Status of WTO negotiations on trade facilitation

Ms. Nora Neufeld, World Trade Organization

Private-sector expectations from the WTO negotiations on trade facilitation

Mr. David Wakeford, Trade Facilitation Alliance
Mr. Eduard Arruga I Valeri, Import Export Procedures Expert Group of the
Confederation of European Agrifood Industries
Mr. Sandro Consoli, International Federation of Freight Forwarders Associations
Ms. María del Rosario Solari Raffo, Directora de Relaciones Internacionales y
Técnicas, Cámara de Exportadores (CERA), Buenos Aires, Argentina
Mr. Solomon A. Kasa, Tanzania Freight Forwarders Association, Dar-es-Salaam
Mr. S. V. Divvaakar, Ace Global Pvt. Ltd., New Delhi, India
Ms. Catherine Minard, Mouvement des Entreprises de France, Paris, France

Introduction to implementation issues in trade facilitation

Ms. Brigitte Cuendet, State Secretariat for Economic Affairs (SECO), Bern,
Switzerland

Implementation of trade facilitation measures

H. E. Mr. Manuel A. J. Teehankee, Ambassador, Permanent Mission of the
Philippines to the World Trade Organization, Geneva

Mr. Eduardo Tempone, Permanent Mission of Argentina to the World Trade Organization, Geneva

Mr. Ibrahima Diagne, GAINDE 2000, Senegal

6. The following special invitees attended the meeting:

Mr. Osvaldo R. Agatiello, independent consultant, Argentina

Mr. James Clawson, CEO, Global Alliance for Trade Efficiency, United States

Mr. R. McDonagh, Deputy Director, World Customs Organization, Brussels, Belgium

Mr. Maurice Nacouz, Expert in Transit Law, Beirut Chamber of Commerce, Industry and Agriculture, Beirut, Lebanon

Mr. Omar E. Odarda, Trade Facilitation Alliance, Switzerland

Mr. Pascal Ollivier, SOGET, France

Mr. Jacques Ritt, SOGET, France

Ms. Donna Sharp, Senior Partner, Sharp Global Partners Ltd., United States

Mr. Bala Subramaniam, Director, ICHCA International, Romford, United Kingdom

Mr. Waleed Tali, ITAQ, Baghdad, Iraq
