



ITC

TRADE IMPACT
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50 YEARS

1964-2014

Leveraging the TFA to unlock Fragile States (FS) and LLDCs trade potential

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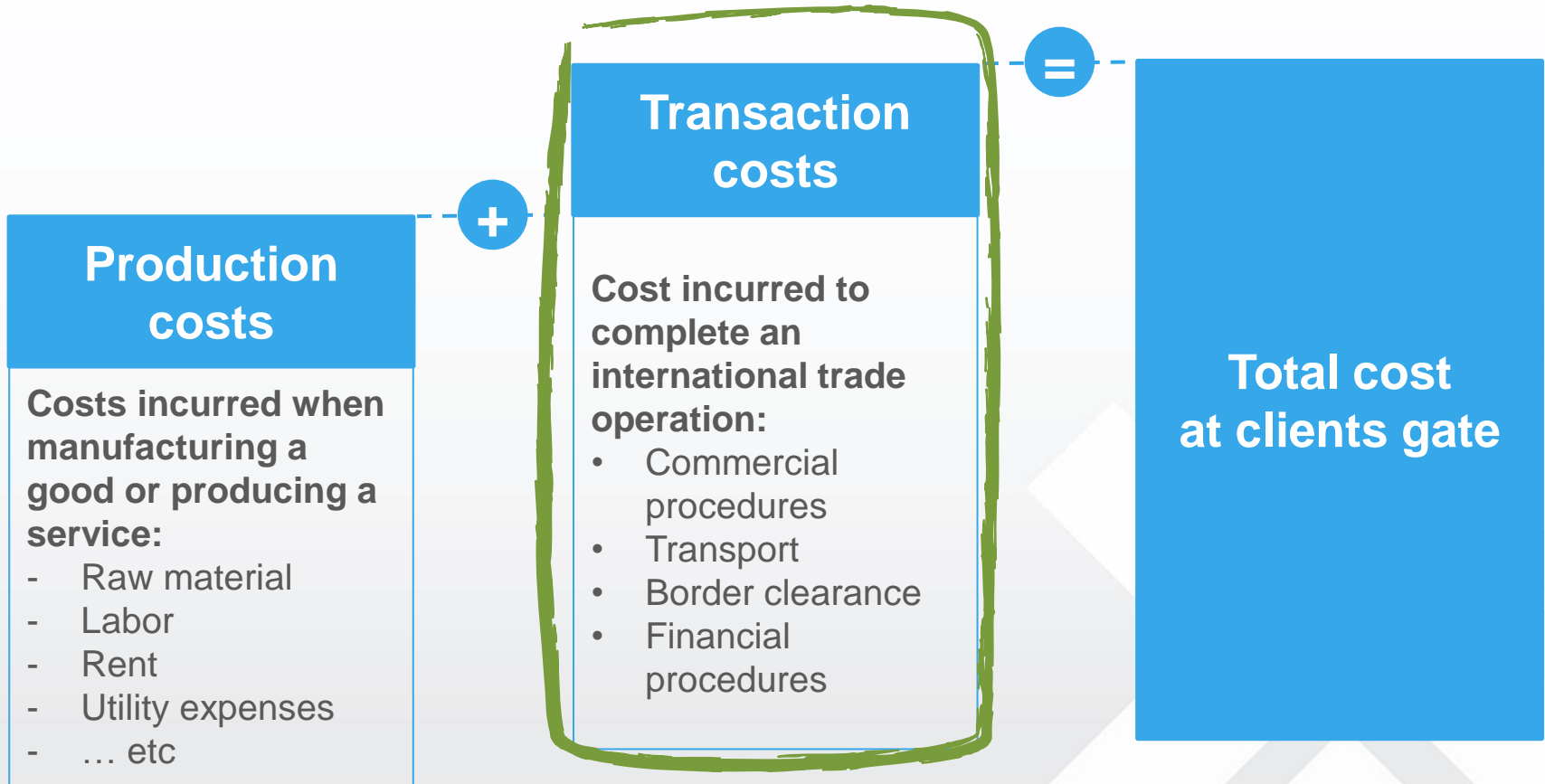
Agenda

- 1 What are key barriers to trade in Fragile States and LLDCs?
- 2 How can TFA address these barriers?
- 3 What can and should governments do ?
- 4 What can development partners do ?

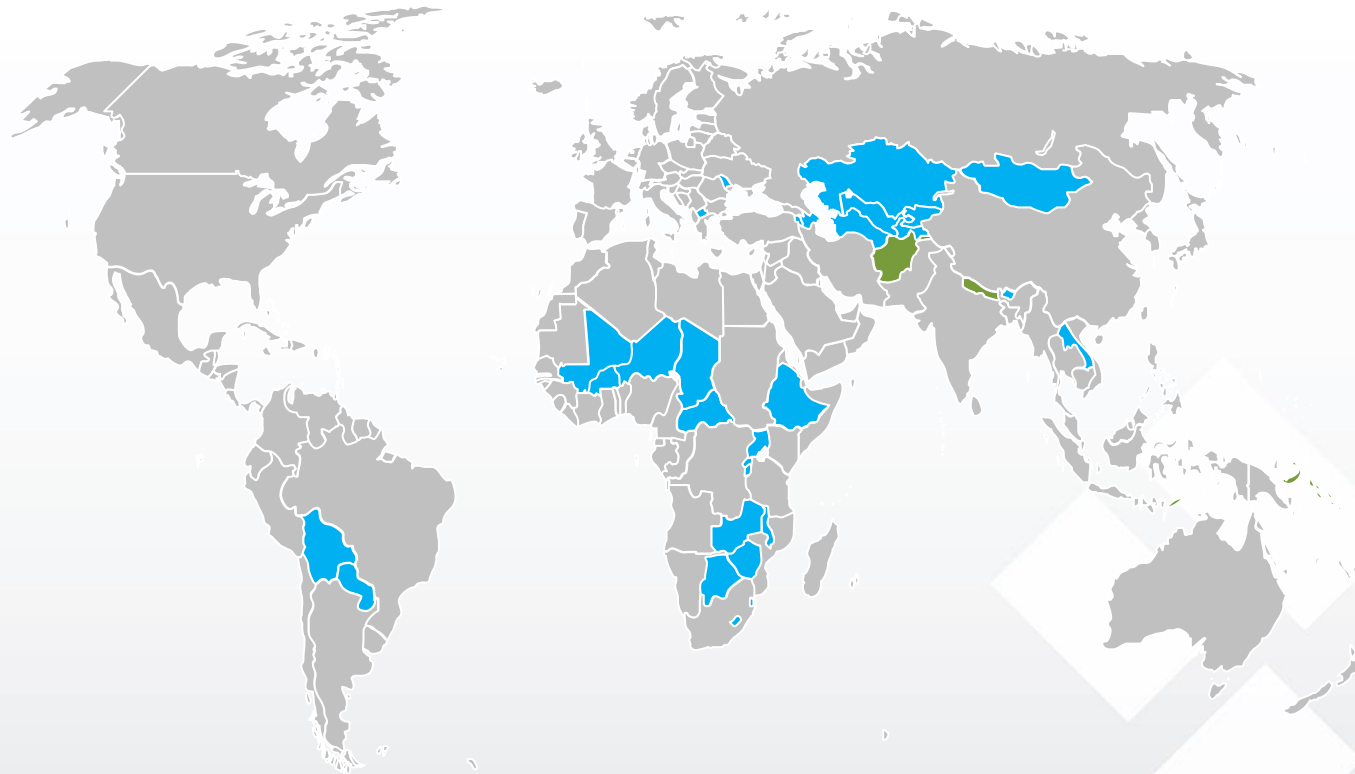
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Breakdown of international trade costs

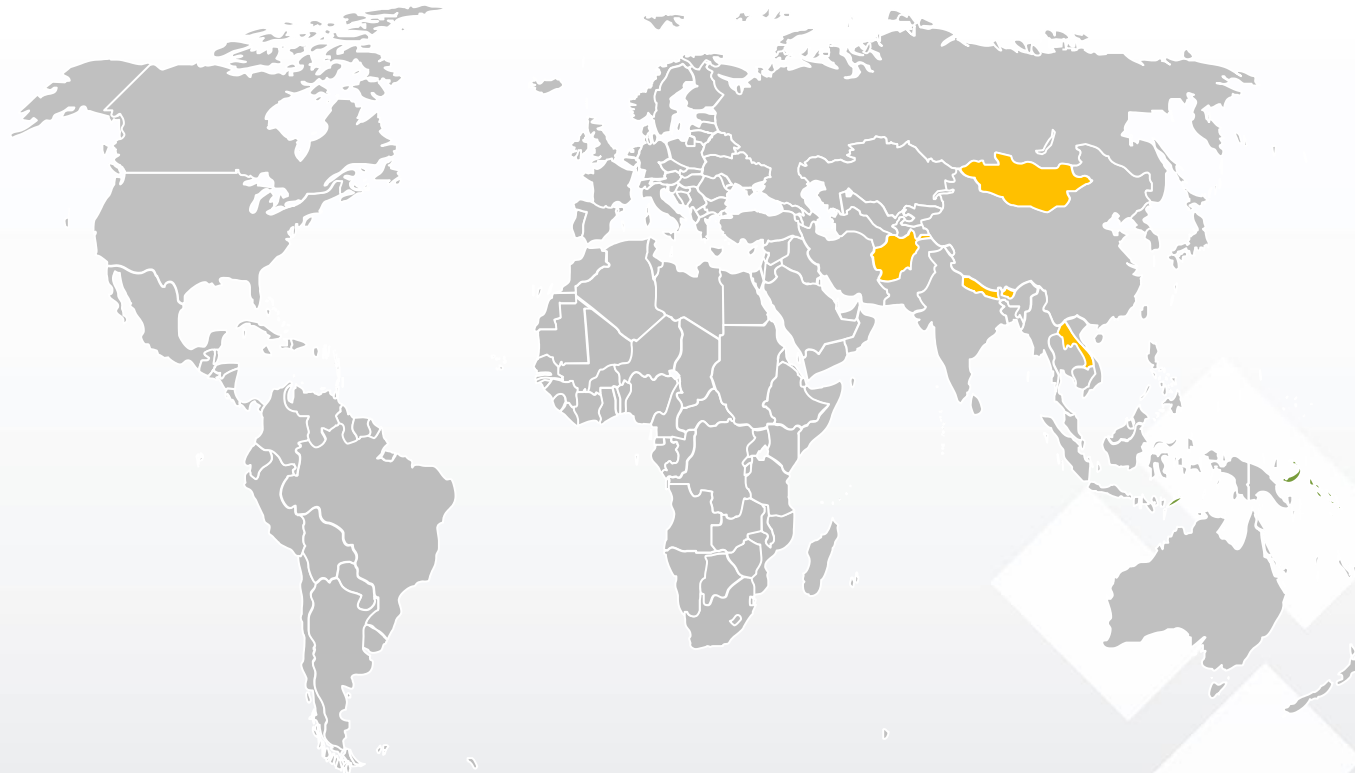


LLDCs and Fragile States



Armenia, Azerbaijan, Bhutan, Bolivia, Botswana, Burkina Faso, Burundi, CAR, Chad, Ethiopia, Kazakhstan, Kyrgyzstan, Lao, Lesotho, Malawi, Mali, Mongolia, Niger, Paraguay, Moldova, Rwanda, South Sudan, Swaziland, Tajikistan, Macedonia, Uganda, Uzbekistan, Zambia, Zimbabwe, Afghanistan, Kiribati, Marshall Islands, Micronesia, Nepal, Solomon Islands, Timor-Leste

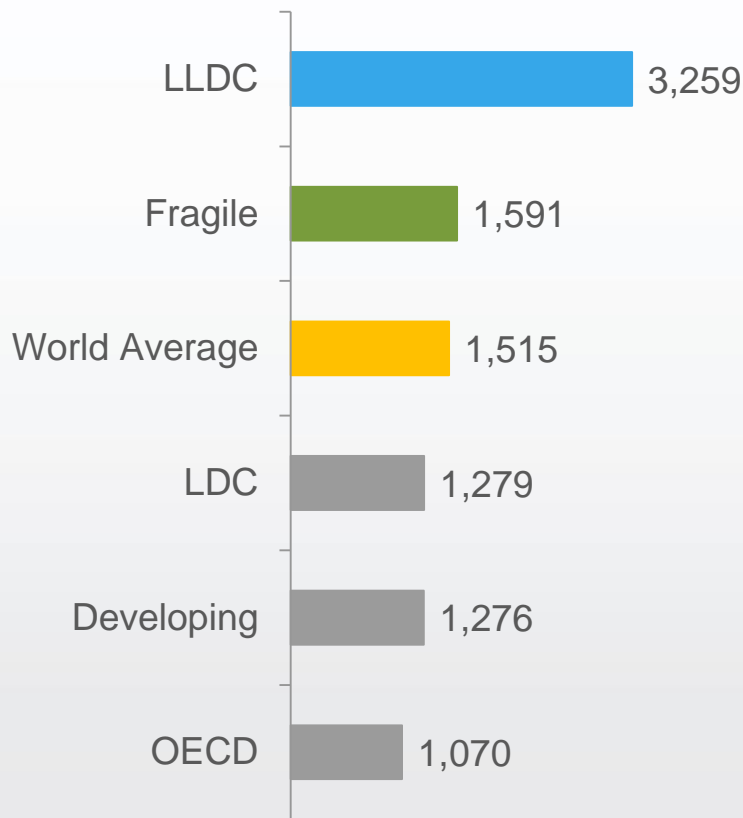
LLDCs and fragile states in Asia Pacific



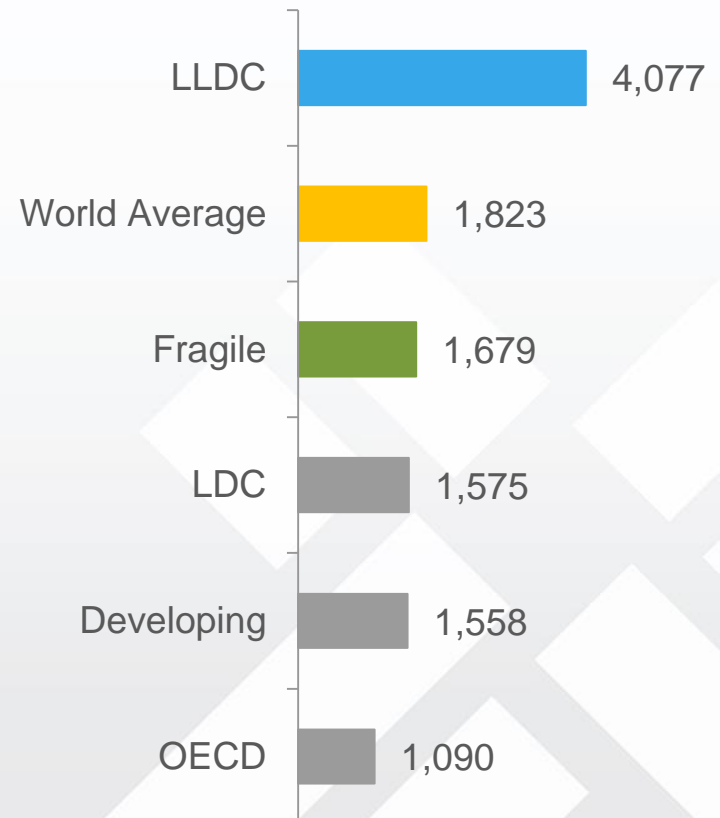
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LLDCs cost to trade is double than world average, fragile state costs within average

Cost to Export - \$ per container

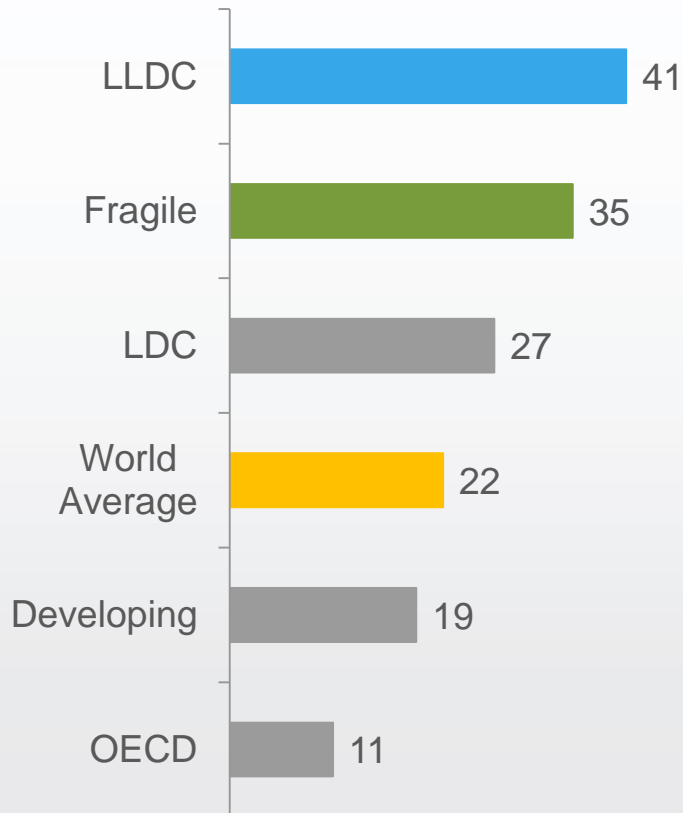


Cost to Import - \$ per container

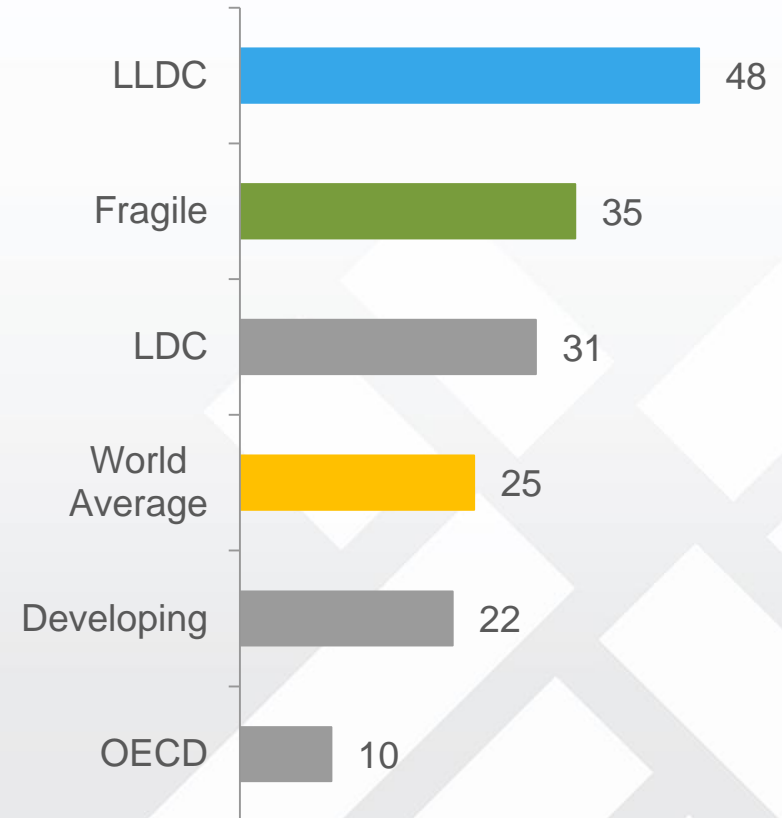


LLDCs and fragile states time to trade ~70% higher than World Average

Time to Export
number of days per container

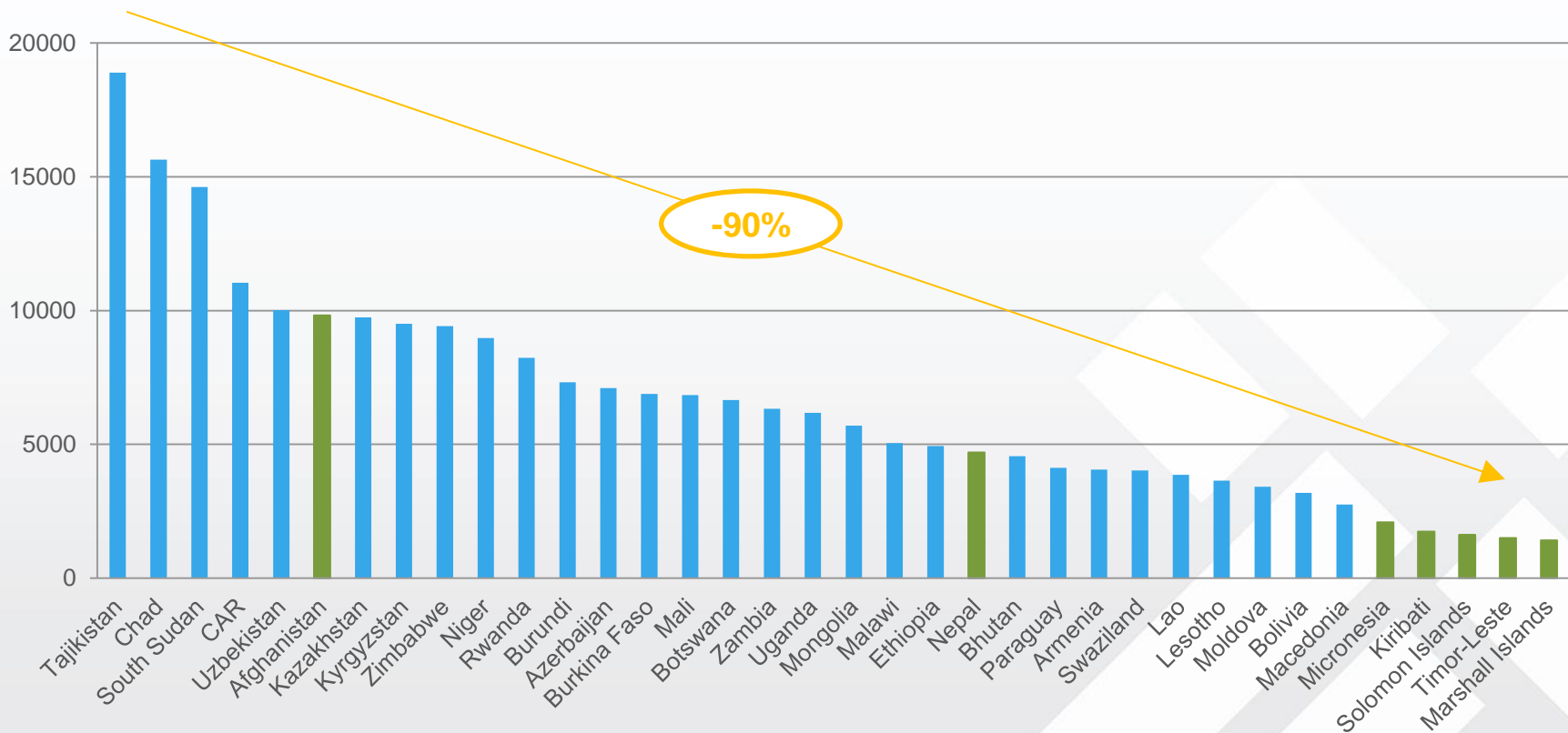


Time to Import
number of days per container



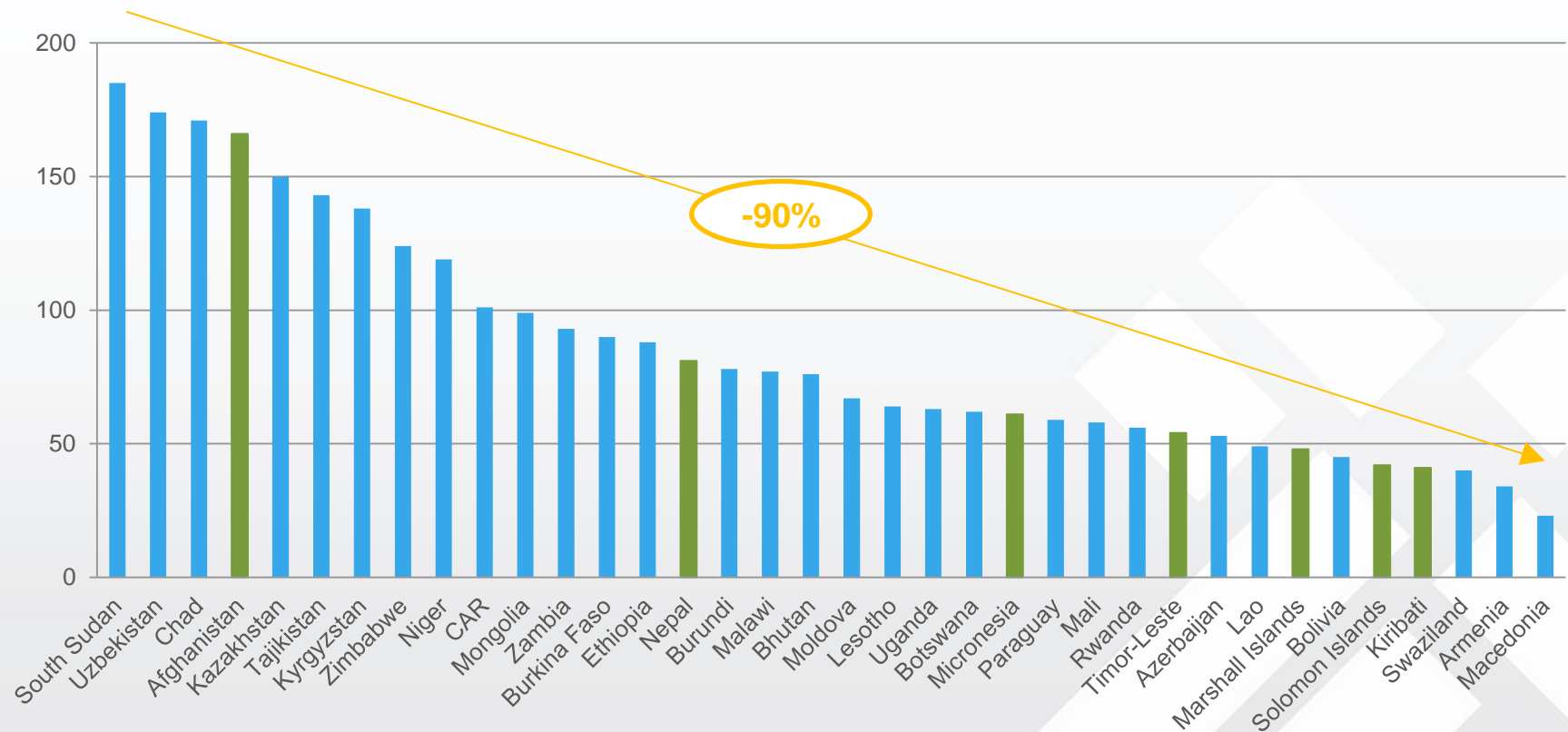
But being an LLDCs or a fragile states does not necessarily translate into poor TF performances

Total cost to trade (Export + import) in fragile states and LLDCs (\$ per container)



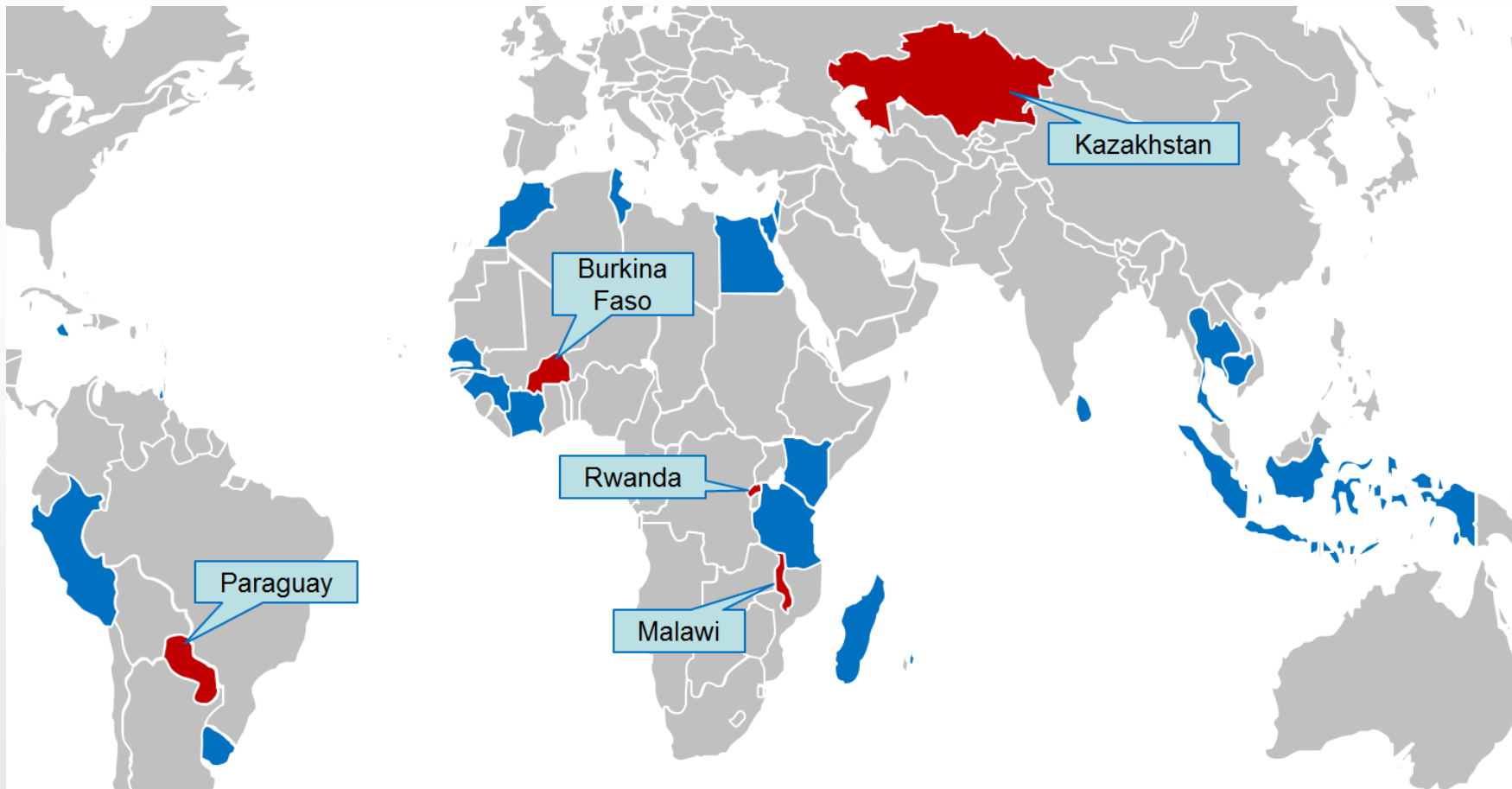
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Total time to trade (Export + import) in fragile states and LLDCs (number of days)



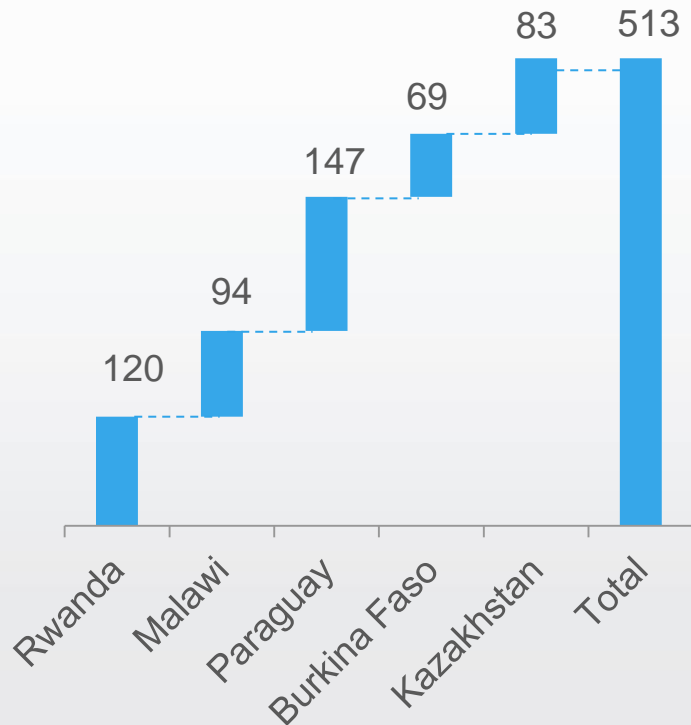
ITC work on NTM surveys makes it more clear

Among 24 countries surveyed, **FIVE** are land-locked developing countries

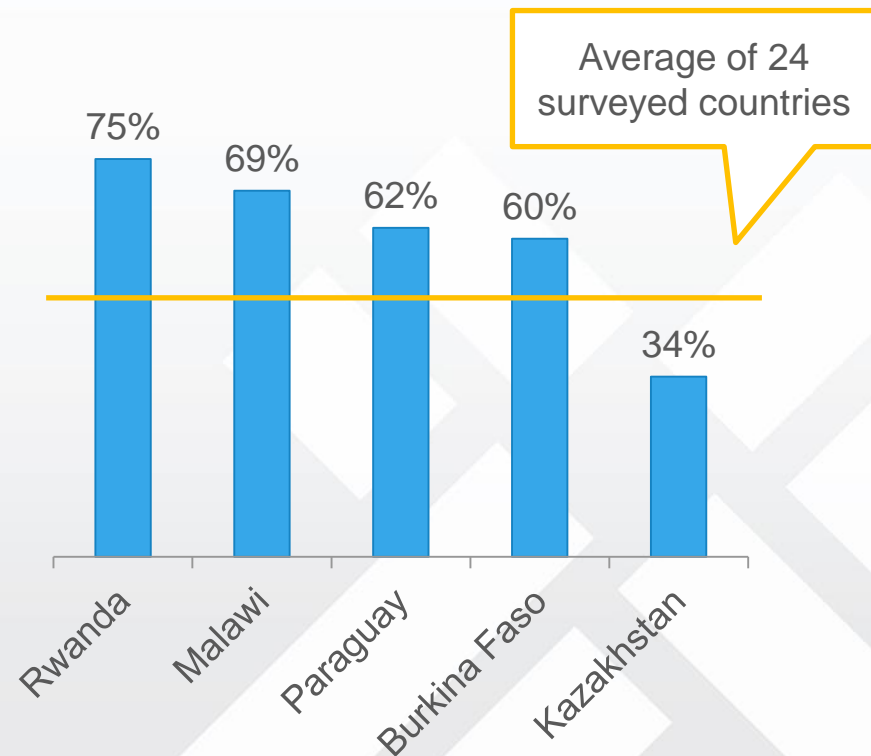


Incidence of burdensome NTMs is higher for LLDCs

513 companies participated in detailed face to face interviews

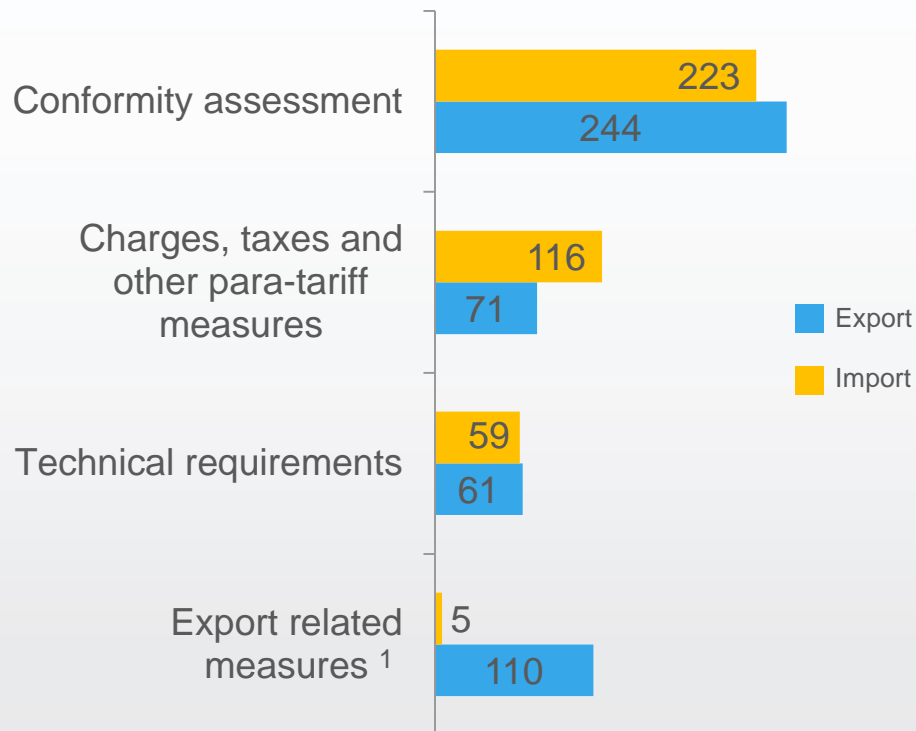


% of companies facing burdensome NTMs higher in LLDC vs. RoW

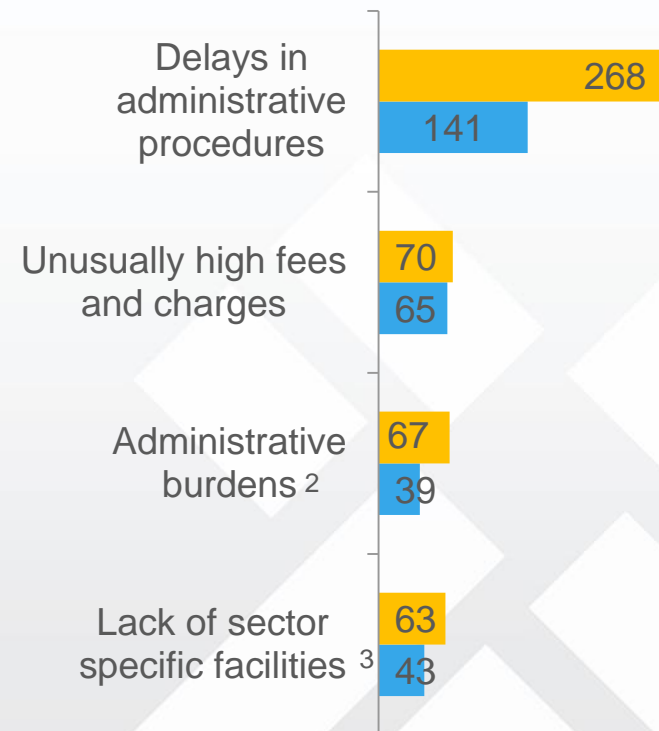


Key burdensome NTM and procedural obstacles identified in LLDCs

Top 4 burdensome NTM recorded over 1,101 cases



Top Procedural obstacles recorded over 1,500 cases



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- 2 How can TFA address these barriers?
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Procedural Obstacles are the root causes of barriers to trade

Majority of burdensome NTMs are not because regulations are too strict

They occur because of procedural obstacles that make complying with regulations difficult

- Kazakhstan: 68% of NTM exports case and 93% of import cases were because of the POs
- Paraguay: These percentages are 61% and 65% respectively

Majority of the PO cases are reported in the home countries

- Where domestic agencies are involved

Trade Facilitation measures can address these obstacles

TRADE FACILITATION STARTS AT HOME !

The TFA addresses these obstacles (1/3)

Key obstacles related to customs clearance and border controls

1

Delays in administrative procedures

- Unpredictable delays in issuing certificates and during inspections
- Inefficient processes: large number of documents required, involvement of numerous agencies

Selected TFA provisions addressing POs

Reduce documentation requirements to improve timelines

- 10.1: Formalities and documentation requirements
- 10.3: Use of international standards 10.4: Single window
- 7.6: Establishment and publication of average release times

Improve communication among agencies to reduce duplication and optimize processes

- 8: Border agency cooperation 23.3: National trade facilitation committee

Introduce schemes to reduce existing workload and improve trader experience

- 3: Advance rulings 7.1: Pre-arrival processing
- 7.7: Authorized operators scheme 7.4: Risk management system

The TFA addresses these obstacles (2/3)

Key obstacles related to customs clearance and border controls

2

Unusually high fees and charges

- Traders pay high amounts for getting documentation, certification and other fees and charges to customs and other agencies
- No transparency in fees result in occurrence of informal payments

Selected TFA provisions addressing POs

Improve transparency of fees and charges by make this information widely available

- 1.1: Publication
- 6: Disciplines on fees and charges
- 1.2: Trade Information Portal
- 1.3: Enquiry points

Limit fees and charges to cost of services rendered and periodically review them

- 6: Disciplines on fees and charges (including periodic review)
-

Create an environment in which informal payments are minimized

- 7.2: Electronic payments
- 1.1: Publication
- 3: Advance rulings
- 10.4: Single Window

The TFA addresses these obstacles (3/3)

Key obstacles related to customs clearance and border controls

3

Administrative burden





- Large number of agencies involved
- Large number of documentation and forms
- Duplication of information requested

Selected TFA provisions addressing POs

Simplified and harmonized trade procedures and documentation

- 8: Border agency cooperation
- 10.1: Formalities & document requirements
- 10.4: Single window
- 7.8: Expedited shipments
- 7.7: Authorized operators
- 10.2: Acceptance of copies
- 10.3: Use of international standards

2 provisions are particularly important to LLDCs

	<u>Measure description</u>	<u>Impact on trade cost reduction</u>
<p>Freedom of transit - Art. 11)</p>	<p>Facilitated, transparent and non-discriminatory treatment offered to the goods in transit passing through the national territory</p>	<p>-2.3%   <i>OECD Transit formalities indicator</i></p>
<p>Border agency cooperation - Art.8</p>	<p>Coordinating and harmonizing border-crossing procedures both at the national level and for the countries sharing the border</p>	<p>-1.9%   <i>OECD Transit agreements and cooperation indicator</i></p>

Agenda

- 1 What are Fragile States and LLDCS key barriers to trade?
- 2 How TFA can help address these barriers?
- 3 What governments can and should do ?
- 4 What development partners can do ?

Addressing the mindset



Reality vs. Destiny



Facilitation vs. Control



Client vs. Partners



Ambitious implementation vs. Legal compliance



Collaborative approach vs. Turf issues



SMEs vs. Large Corporations

Promote collaborative partnerships

Public Private Dialogue

Structured mechanisms aimed at facilitating the reform process by involving a balanced range of public and private sector actors

- Identify, filter, accelerate, implement, and measure policy reforms
- e.g. TFA Article. 2.2 - Consultations

Public Private Partnership

Private sector operators can be mobilized to fund and operate selected trade facilities

- Single Window (Art.10.4) facility (e.g. Ghana TradeNet)
- Temperature controlled warehouses for perishable goods (Art.7.9)

Ensure strong Inter-agency coordination

Involve all border regulatory agency for the design and implementation of trade policy reforms

- Art.23.2 – National Trade Facilitation Committees
- Art.8 – Border agencies cooperation

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Addressing TF in a holistic manner

TF is about reducing time and costs of trade through transparency and efficiency of cross-border operations

Hard

Development of trade related transport infrastructures

Soft

Improvement of trade rules & procedures

Developing countries primary needs to improve their trade environment:

Financial resources

Technical expertise

ADB contributes largely to the “hard” part of TF through supporting the national and regional development



Accelerating regional cooperation and integration

- Investments in trade and transport infrastructure
- National and urban transport promotion
 - ✓ *E.g. road network construction*
- Regional transport infrastructure development
 - ✓ *E.g. Investment in corridors infrastructures*
- Strengthening physical connectivity
- Setting-up of one-stop border posts
- Improving procedural uniformity of cross-border transportation

ITC assist governments and SMEs in the “soft” part of TF to reduce time & cost of cross-border operations

Prepare for implementation

- Identification of trade barriers through NTM surveys
- Gap analysis through Categorization assistance
- Prioritization and sequencing of implementation

Enhance transparency of trade procedures

- Publication of trade related information
- Set-up of on-line trade portals
- Establishment of enquiry points
- Development of advance rulings facilities

Improve the efficiency of cross-border procedures

- Risk management
- Authorized operators
- Post clearance audits
- Pre-arrival processing
- Single Window



ITC assist governments and SMEs in the “soft” part of TF to reduce time & cost of cross-border operations

Simplify and harmonize border requirements

- Discipline on fees and charges
- Uniform documentation
- Use of international standards

Strengthen border agency coordination

- Set-up of national trade facilitation committees
- Consultation mechanisms through PPD

Strengthen SMEs ability to comply with trade procedures

- Awareness raising on the facilities provided by the TFA
- Trainings on export processes and documentation

Development partners (ADB) and technical assistance agencies (ITC) can bring synergies through collaboration with each other

Concluding thoughts

- ❑ **LLDCs and fragile states competitiveness and ability to integrate in global value chains is impacted by Procedural Obstacles to trade**
- ❑ **Being landlocked remains a geographical reality - The TFA is a good starting point to change the destiny of these countries**
- ❑ **Collaborative approach by developing partners and technical assistance agencies can effectively support LLDCs and FS to unlock their trade potential**

Thank you for your attention

For Further information, questions or comments please contact

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