



International  
Trade  
Centre



# TFA implementation

International Trade and Investment Conference

July 1<sup>st</sup> 2015

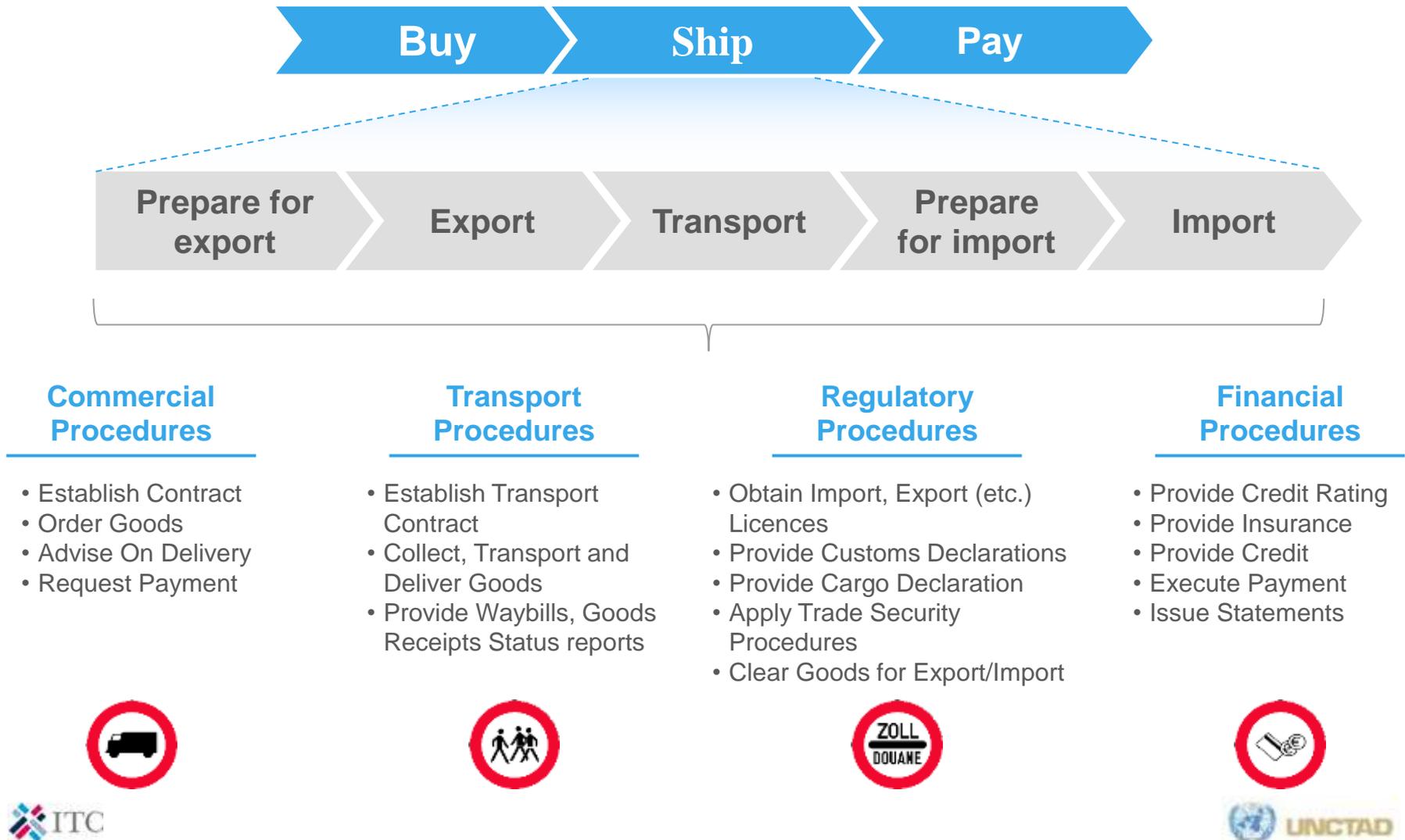
**Ezequiel M. Guicovsky Lizarraga**

Senior Business Development Officer

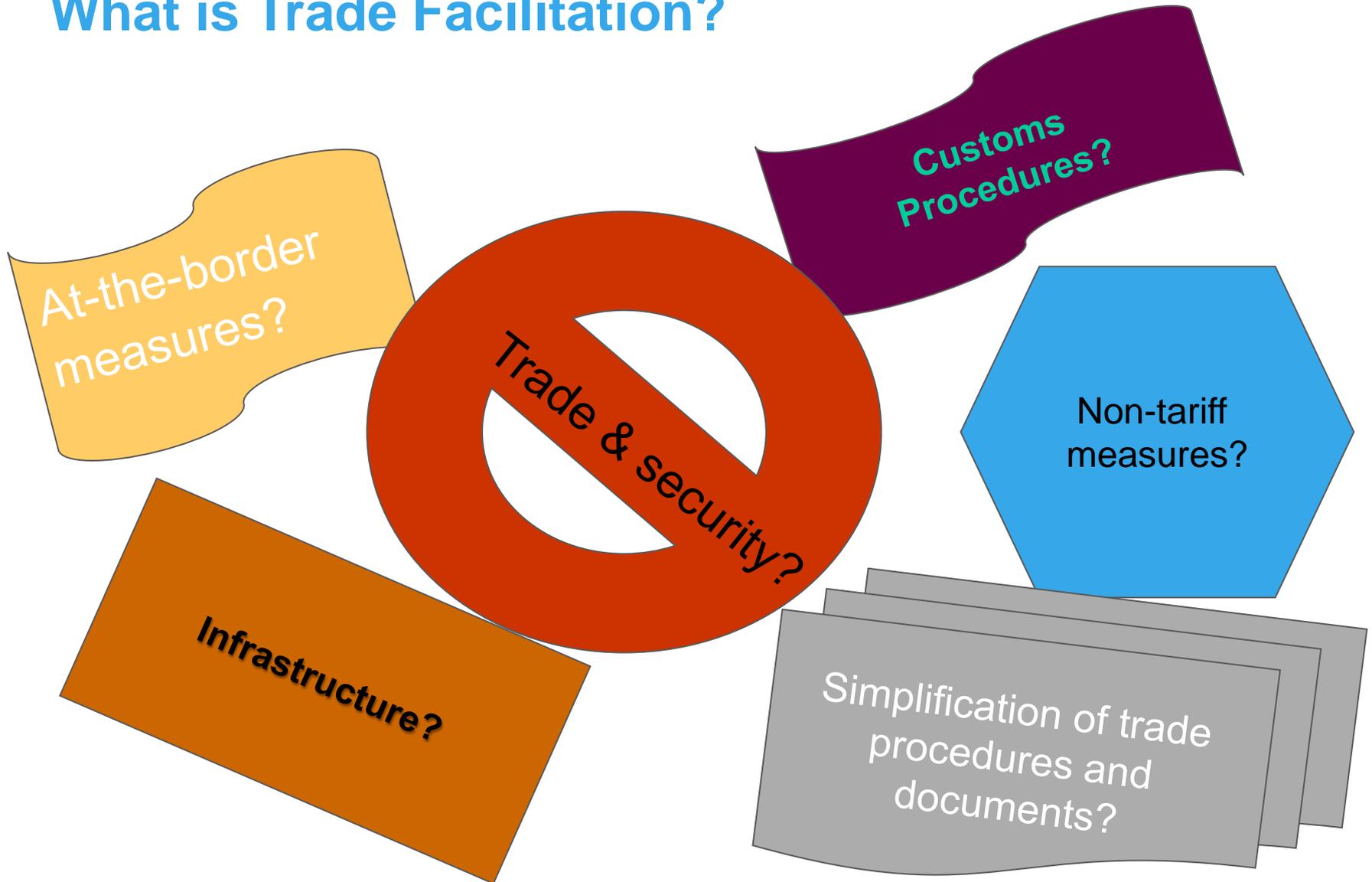
Trade Facilitation and Policy for Business



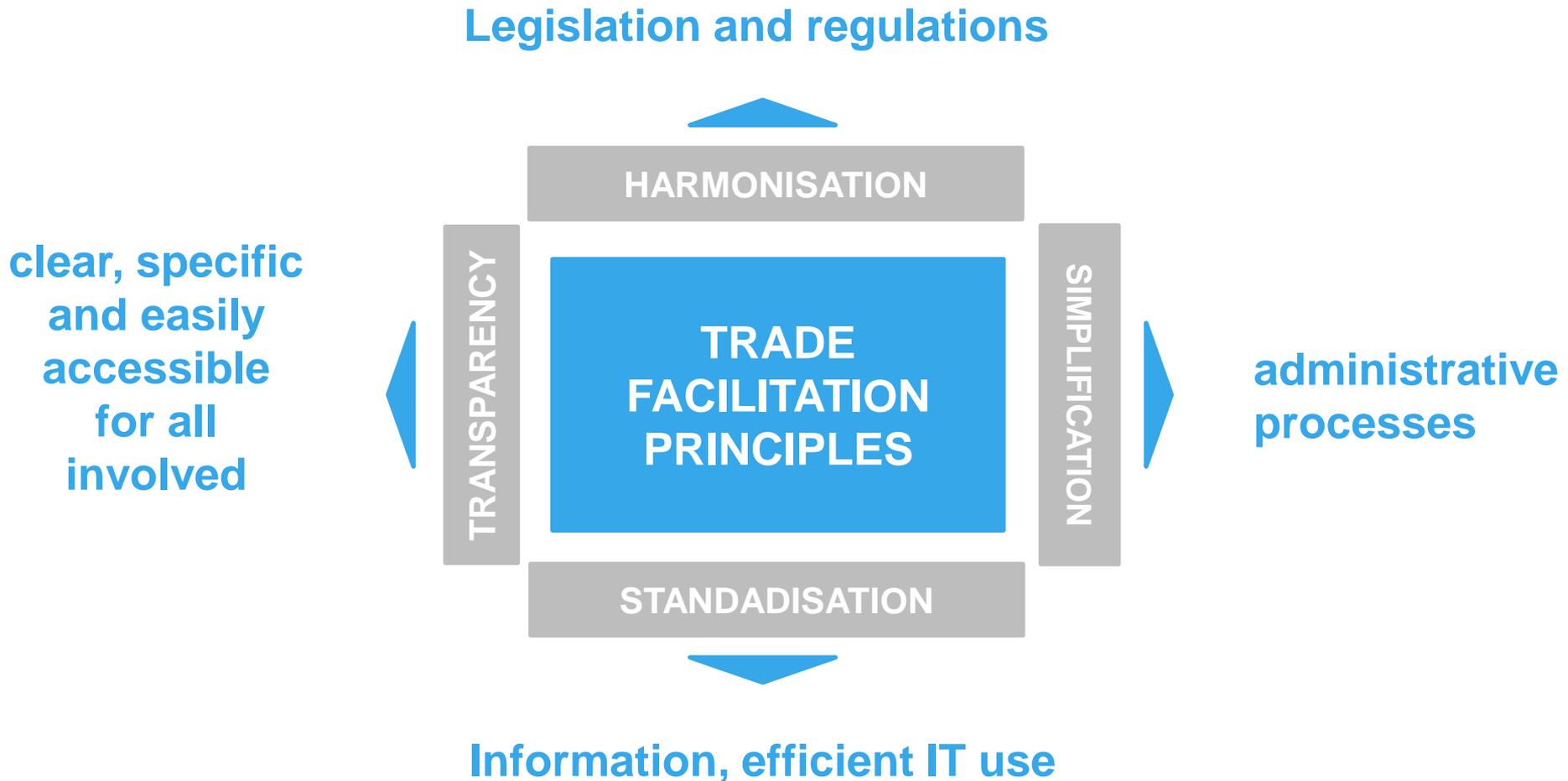
# International Trade Transaction Process



# What is Trade Facilitation?



# Facilitation Principles



# Trade Facilitation is...

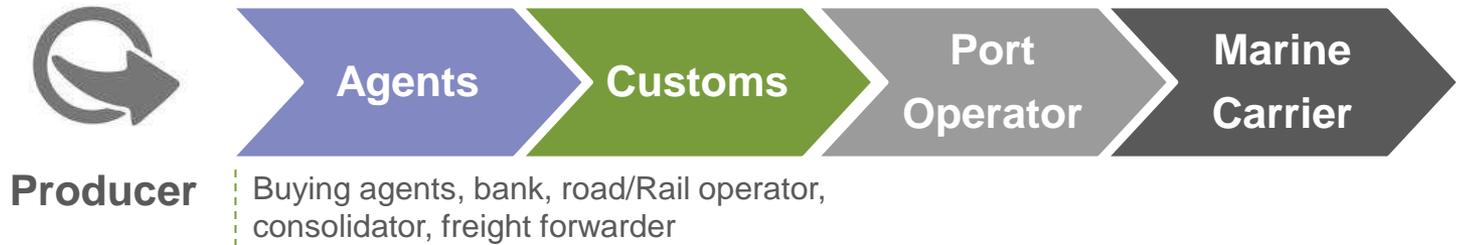
- ✓ • **Transparency and efficiency in international trade supply chain through;**
  - Simplification,
  - Standardisation,
  - Harmonisation and
  - Modernisation
- ✓ • **An ongoing and multi-agency function**
- ✓ • **Better achieved through collaboration between public and private sector**
- ✓ • **Has the potential to reduce costs and address inefficiencies**

# Several root causes explain the weakness of intra regional trade

Policy	Insufficiently conducive business environment	<ul style="list-style-type: none"> <li>• Cost and delay of transport and cross-border procedures</li> <li>• Partial reforms of service sectors (ex. finance, logistics)</li> <li>• Lack of infrastructure</li> </ul>
Institutional	Limited capacity of integration organizations	<p data-bbox="388 691 1271 819">Focus of this presentation</p> <ul style="list-style-type: none"> <li>• Inefficient operational capabilities (ex. RH)</li> <li>• Low representation of the private sector at regional levels</li> </ul>
Businesses	Limited capacities of the private sector	<ul style="list-style-type: none"> <li>• Insufficient networking capabilities (ex. buyers/suppliers)</li> <li>• Difficulties in meeting technical or SPS requirements</li> <li>• Low international marketing capabilities</li> </ul>

# International Supply Chain

Country  
Of  
Origin



**System efficiency** →  $90\% \times 90\% = 81\%$   
 $90\% \times 90\% \times 90\% = 72.9\%$

Country  
of  
Destination



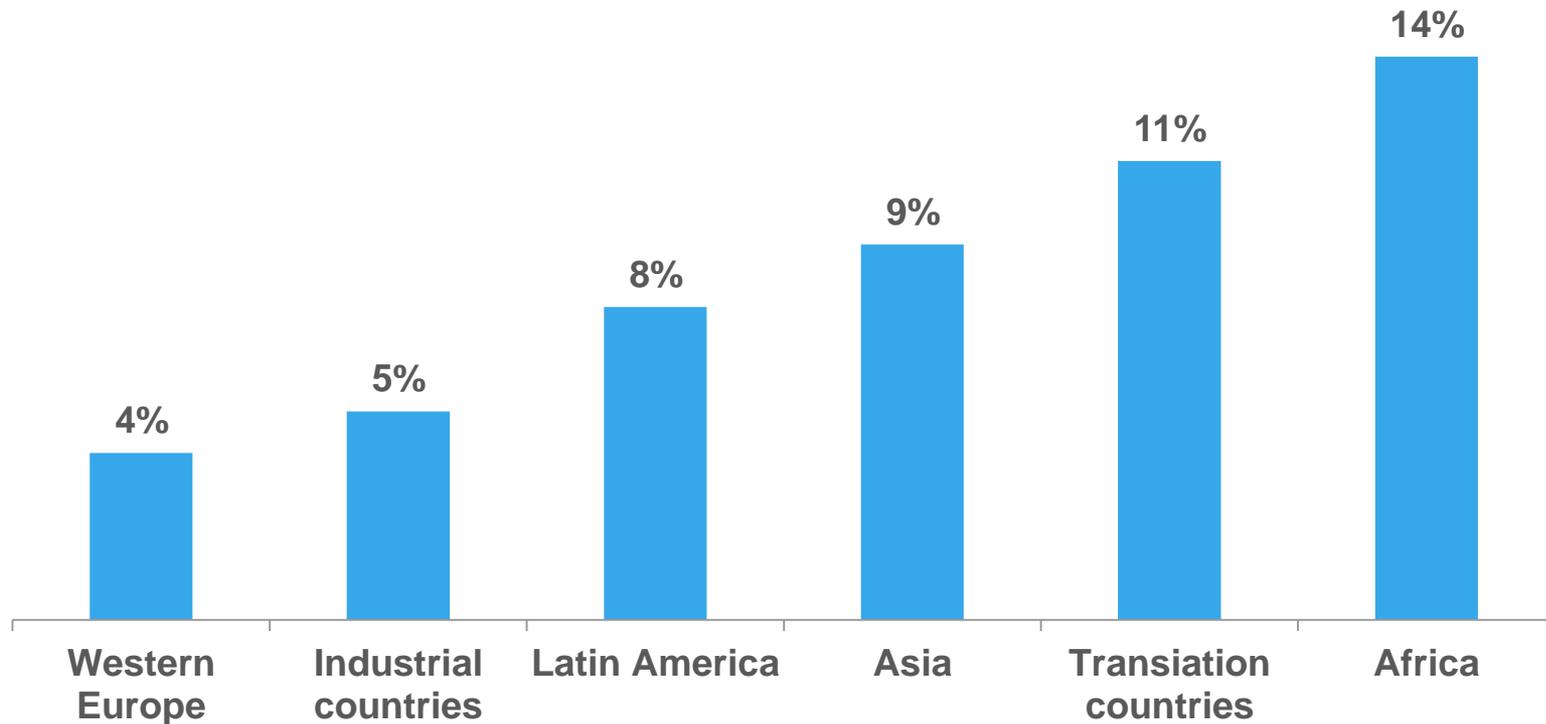
# Trade Facilitation and Competitiveness

- ✓ • Customs clearance times are **key determinants of foreign investment, export status and productivity**
- ✓ • For integration into global value chains efficient **importation is as important as exportation**
- ✓ • Inefficient customs practices and complex procedures significantly **reduce the ability to successfully integrate to global value chains.**
- ✓ • Trade costs are a crucial ingredient for competitiveness and FDI

# Logistics costs range from ~4% to ~15% of product value

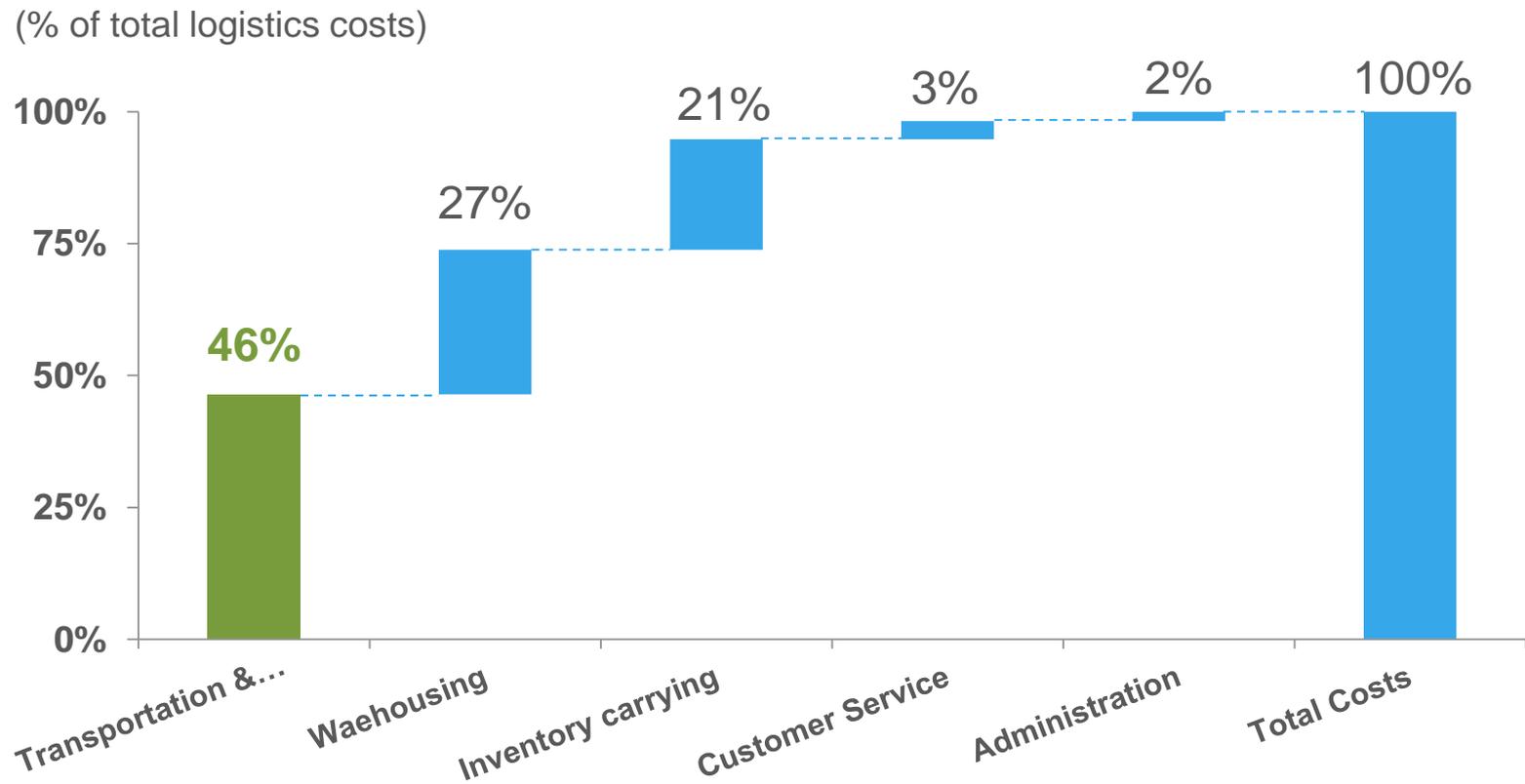
## Significant variations between regions

Transport costs as % of total product value  
by region and country groupings



# ~46% of logistics costs are made of transportation costs (incl. border-crossing costs)

## Breakdown of logistics costs<sup>1</sup>: worldwide Average



# Border inefficiencies translate into direct and indirect costs impacting business competitiveness

## Direct costs

- Time and resources invested in managing export administrative activities**
- Collect, produce, transmit and process required information and documents

## Indirect costs

### Increased operational costs

- Delays translate into extra transport, insurance or warehouse costs

### Increased working capital requirements

- Inventories immobilized are carried out by the exporter (except for EXW sales)

### Product deterioration

- Delays can lead to the degradation of products and render them unfit for sale

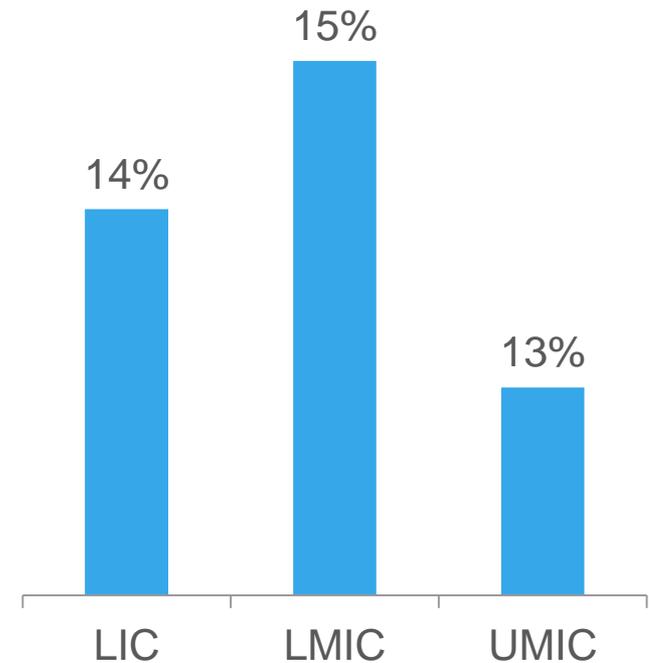
### Lost business opportunities

- Direct: joining a punctual regional trade
- Indirect: immobilized stock could have been sold to a local client

# TFA implementation will drive Trade Transaction Costs (TTCs) down

- **TTCs depend on the good, trader and country**
  - Direct TTCs amount to 2-15% of the value of goods
  - Indirect TTCs (delays, corruption, etc.) amount to 1-24%
- **TF measures at the border have a high potential for cost reduction**
  - From 13% to 15% depending on countries' income levels

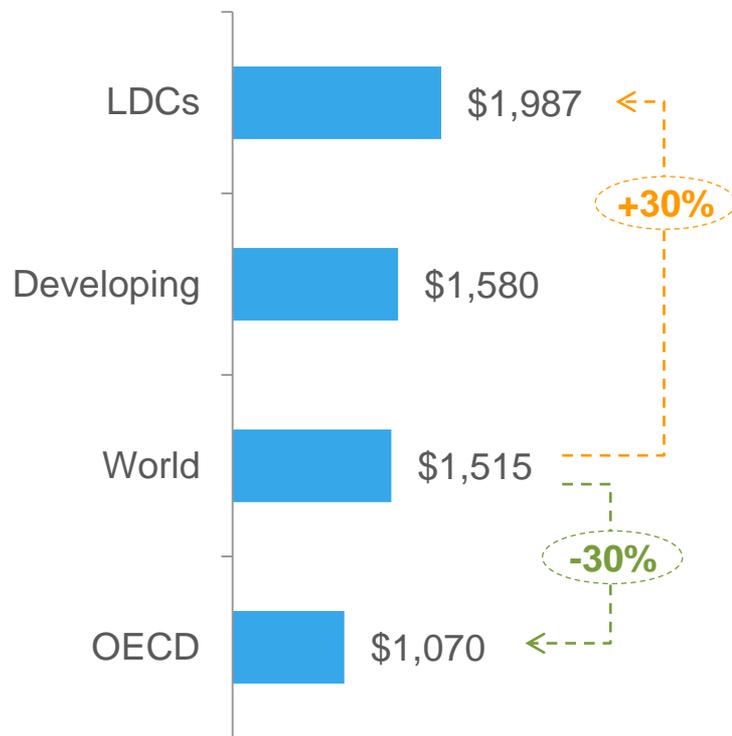
## Overall potential trade cost reduction by income group



# Cost to trade vary significantly depending on countries development status

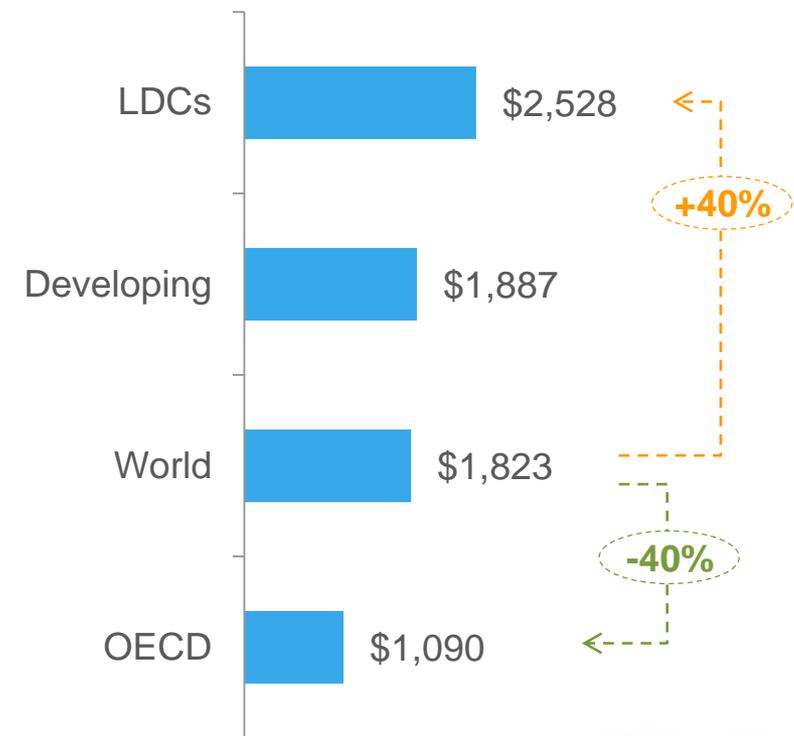
**LDCs cost to export is 30% higher than world average...**

\$ to export 20'CT



**And 40% higher to import**

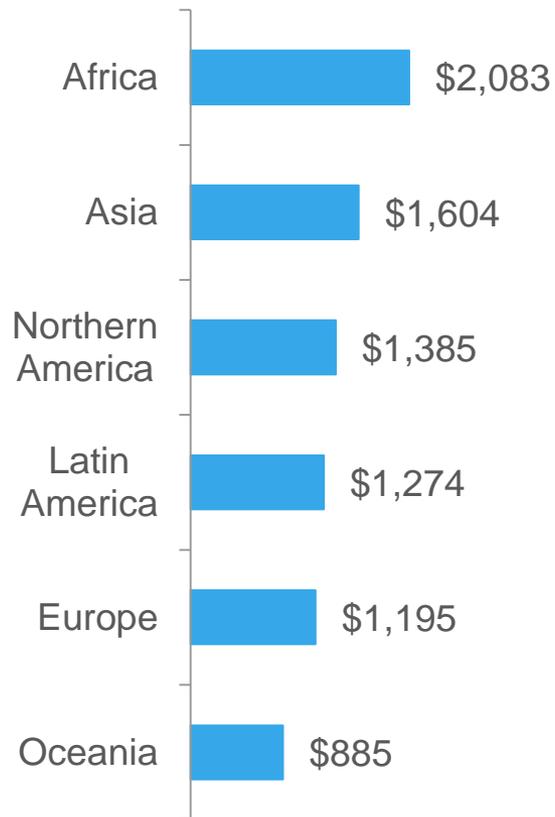
\$ to import 20'CT



# And depending on the regions

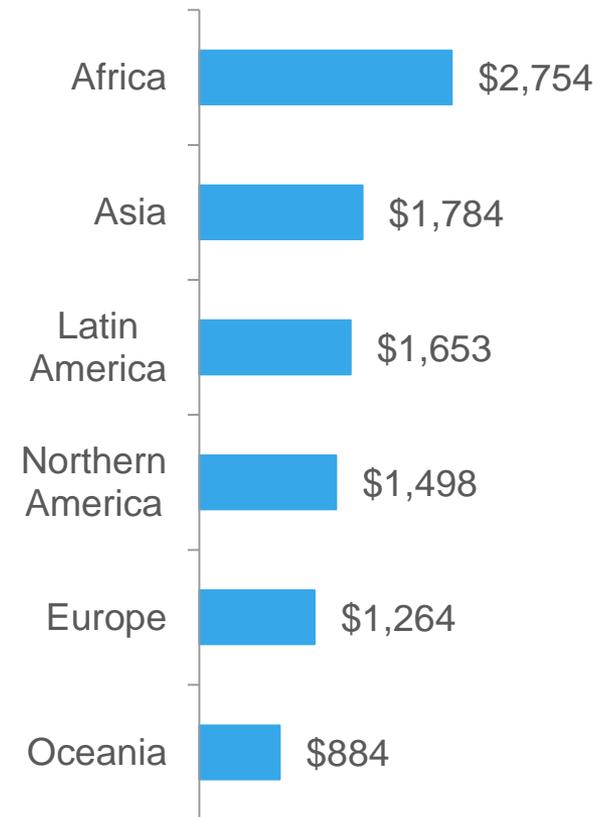
## Cost to export across region

\$ to export 20'CT



## Cost to import across region

\$ to import 20'CT



# Time as a trade barrier

- **Time delays reduce trade flows more significantly than trade tariffs**
  - Each day saved in shipping time is worth 0.8 % ad-valorem<sup>1</sup>
  - Reducing supply chain barriers could increase world GDP over six times more than removing all tariffs<sup>2</sup>
- **Time-sensitive products are even more affected by delays**
  - Perishable, just-in-time
- **Negative impacts reinforced by lack of predictability in clearance time**

# Structure of the Trade Facilitation Agreement



## Preamble



## Section I - Substantive Provisions

<u>TFA Articles</u>	<u>Scope</u>	<u>GATT articles</u>
Articles 1 to 5	Transparency	Article X
Articles 6 to 10	Fees and Formalities	Article VIII
Article 11	Transit	Article V
Article 12 & 13	Other issues	na



## Section II - Special and Differential Treatment



## Section III – Institutional arrangements and final provisions

# Review of TFA articles 1 to 10

## Transparency Articles (1-5)

- 1 - Publication and availability of information
- 2 - Prior publication and consultation
- 3 - Advance Rulings
- 4 - Appeal or Review Procedures
- 5 - Other measures to enhance impartiality, non-discrimination and transparency

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## Fees & Formalities (6-10)

- 6 - Disciplines on fees and charges imposed on or in connection with importation and exportation
- 7 - Release and clearance of goods
- 8 - Border agency co-operation
- 9 – Movement of goods under customs control intended for export
- 10 - Formalities connected with importation and exportation and transit

# Review of TFA other articles

-  **Article 11: Freedom of transit**
-  **Article 12: Customs Cooperation**
-  **Section II Special and Differential Treatment**
  - Dedicated workshop session (Session 3)
-  **Section III: Institutional Arrangements & final provision**
  - Article 23.1: Trade Facilitation Committee
  - Article 23.2: National TF Committee
  - Dedicated workshop session (Session 4)

# What businesses want to improve their exports competitiveness ?

## At-the-borders

**Transparent, accessible and predictable rules and procedures**

- Business need to know what to expect

**Standardized forms, assembled into a 'single bunch of documents'**

- Compatible with trade documents and transport contracts, preferably in electronic format

**A single access point to all border regulatory agencies and public services**

- To reduce duplication of efforts

**Simple, efficient and uniform formalities and procedures**

**A system based upon justice and reward for compliance**

## Behind-the-borders

**TFA is more focused on such « softer » issues**

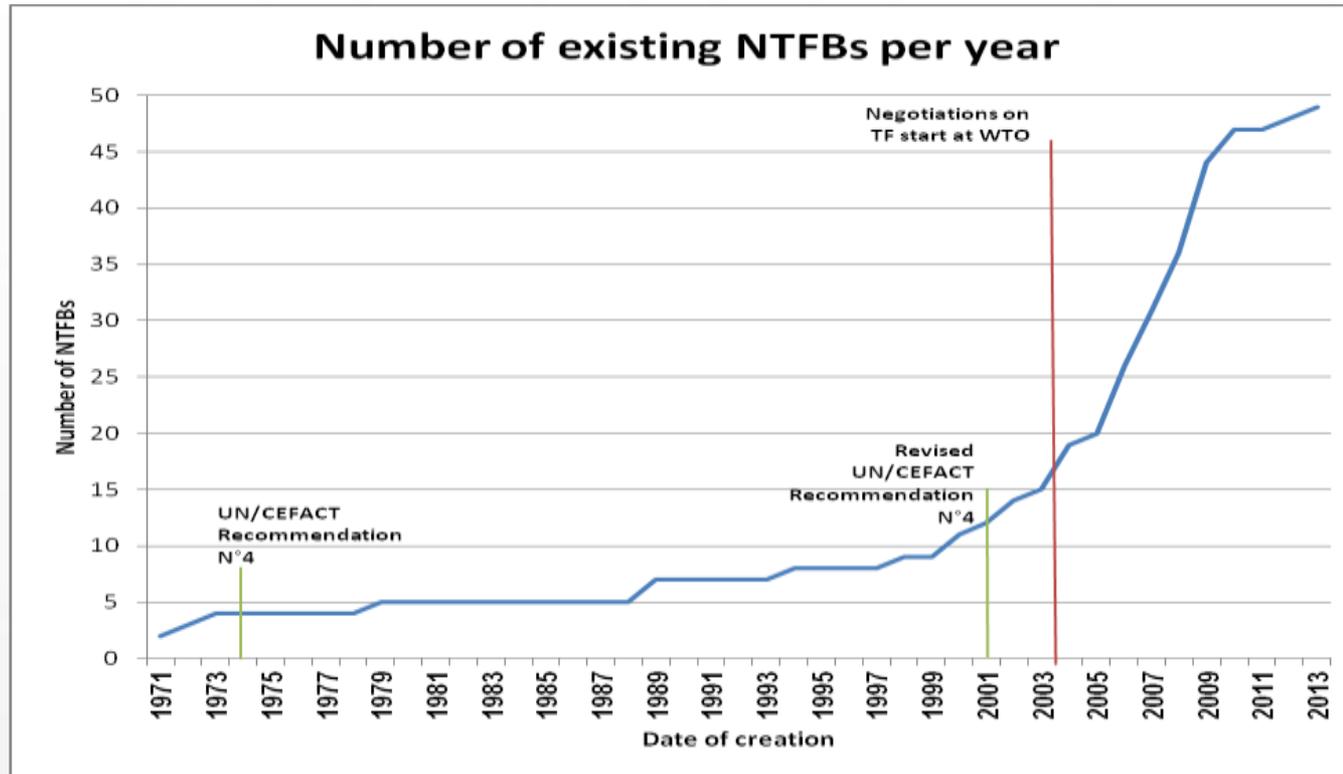
Have the comfort to be **part of the policy making process**

# Section III - Art.23.2 of the TFA: National Committee on Trade Facilitation

- **WTO Members concluded negotiations on the TF Agreement in Bali**
- December 2013
- **To have a TF Committees has been made a ‘binding obligation’**
- This obligation cannot be categorized as B or C
- Must be implemented upon entry into force of the TFA

*Art.23.2 - Each Member **shall** establish and/or maintain a national committee on trade facilitation or designate an existing mechanism to facilitate both **domestic coordination and implementation of provisions** of this Agreement. (emphasis added)*

# Rising number of TF Committees



**Number of TF Committees would continue to rise...  
...to equal the number of WTO Members over time**

# NTFC: Scope and mandate

- Any TFC **must include** in mandate to facilitate **‘domestic coordination’** and **‘implementation of TF Agreement’**
- It can continue to perform already mandated tasks....especially if existing mechanism is designated
- By virtue of facilitating implementation, other areas could also be included which make part of the TF Agreement
- TF Committee can be the most suited instrument for implementing Article 2 (Consultations)

# Ensure political will and commitment

- It brings credibility and status
- Authority vs. Availability
- Necessary for its establishment, to operate and for its effectiveness
- For establishment there is... 'obligation' ...
- But for operations and effectiveness ... still required

# Structure and Governance

- 'Business like' approach
- Overseeing vs. Implementation
- Turf issues – departmental influence
- Permanent secretariat
- Coordinating agency and secretariat
- Right mix of 'regulators' and 'actors'
- BoD, Management Committee and Working Groups
- Chair principal link between committee and government .... can be head of lead TF implementation agency
- Alternate between Public and Private sector

# The Way Forward for the private sector

- ✓ Be aware what is happening in the world
- ✓ Align and equip yourself with emerging trade realities
- ✓ Collaborate among yourselves
- ✓ Develop partnership with government regulators
- ✓ Benchmark with peers and globally



It is a continuous process

# Presenting ITC's integrated TF program

**Improving  
SMEs Competitiveness for exports  
through implementing the Trade Facilitation Agreement**

1

**Comply with TFA  
short term  
requirements**

2

**Build national  
capacity on Trade  
Facilitation**

3

**Support the  
implementation of  
TFA measures on  
the ground**

4

**Strengthen SMEs  
ability to cross  
borders**

**Establish its role as a recognized thought leader on Trade Facilitation**

**Mobilize private sector to present their perspective in TF policy formulation**

**Mainstream regional integration dynamics and sharing of south-south best practices**

**Partner with other trade facilitation agencies and the private sector**

# Relationship between trade facilitation and regional integration

## Implementation at regional level

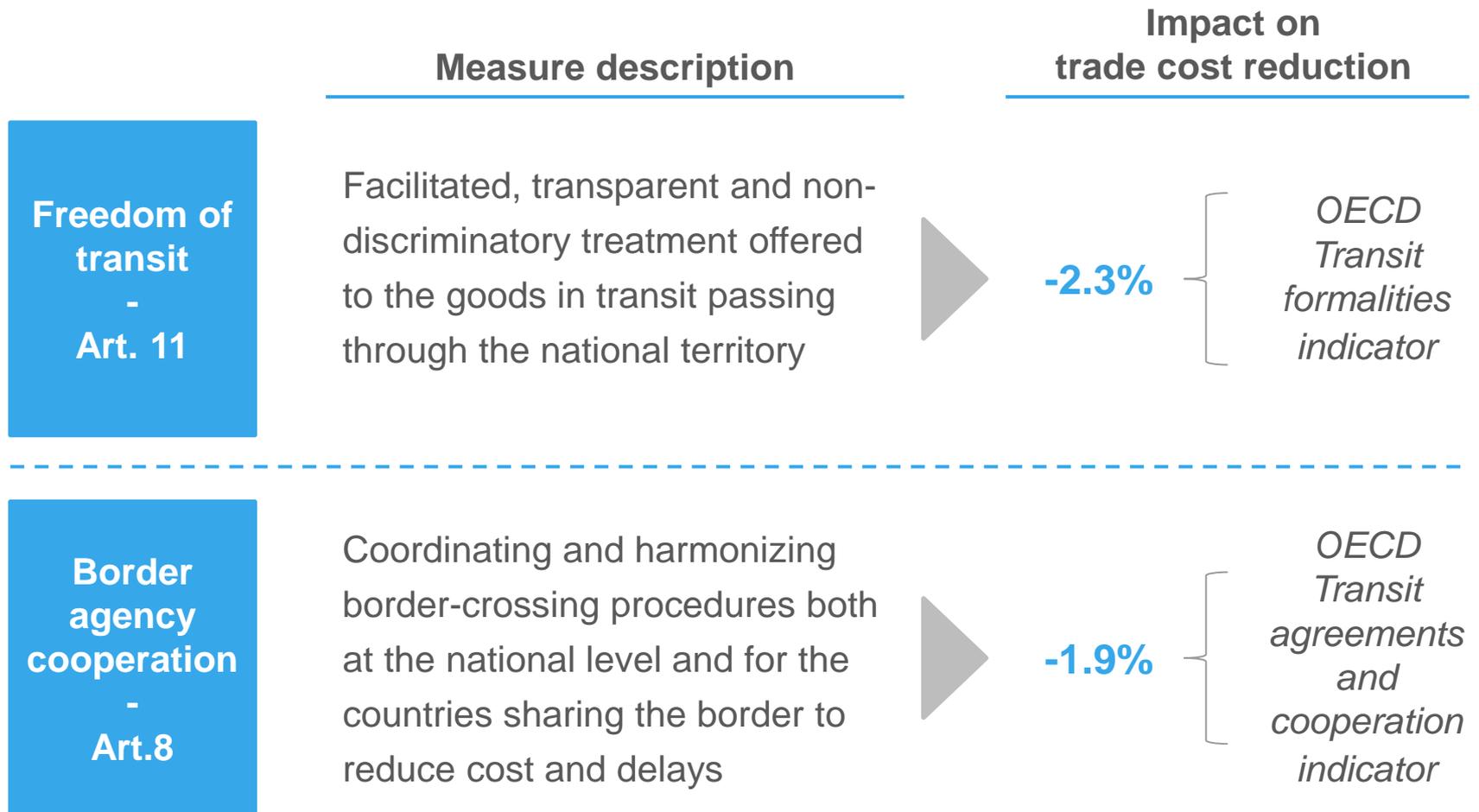
- **Many trade facilitation commitments could be implemented at a regional level**
  - Art.1 – Transparency
  - Art.7 - Single window
  - Art.8 – Border cooperation
  - Art.11 – Transit

## Preferential treatment for regional partners

**Several trade facilitation commitments can be applied on a preferential basis or are defacto more beneficial for REC members**

- Mutual recognition of AEO
- Advance rulings: larger scope / validity for regional partners
- Fees and charges: (partial) exemption for regional partners
- Consultation mechanisms with more emphasis on regional stakeholders

## 2 provisions are particularly important for regional integration



# Regional integration clause for the implementation of the TFA

## Art.21 Provision of assistance

*Members shall endeavor to include activities to address regional and sub-regional challenges and promote regional and sub-regional integration*

## Art.24 Final Provision

*Members of a customs union or a regional economic arrangement may adopt regional approaches to assist in the implementation of their obligations under the Agreement on Trade Facilitation including through the establishment and use of regional bodies'*

# Art.11 of the TFA clarifies and improves GATT Art.V on Freedom of Transit

New / improved provision	Impacts
Do not apply technical regulations and conformity assessment on goods in transit (Article 11.8)	Further limits burdensome procedure
Provide advance filing and processing for goods in transit (Article 11.9)	Becomes a binding commitment
Limit use of customs convoys (Article 11.5)	Only in high-risk circumstances Not when a guarantee has been granted Transparency obligation
Enhance member cooperation and appoint transit coordinator (Article 11.12 and 11.13)	Improved coordination to smoothen traffic in transit

# Article 8 – Border agency cooperation is of significant importance for LLDCs

## Key requirements deriving from article 8

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**Enhanced cooperation between countries sharing a common border ;  
key elements of cooperation include**

- Alignment of working days and hours;
- Alignment of procedures and formalities;
- Development and sharing of common facilities;
- Joint controls;
- Establishment of one stop border post control



**National border regulatory agencies are obliged to cooperate with each other, and coordinate their activities**

# Several other articles related to transit

- Transit issues have been taking into account in many other provisions

- Publication – *Art. 1*
- Consultation before entry into force – *Art.2*
- Penalties discipline – *Art.6*
- Trade Facilitation measures for Authorized Operator – *Art.7*
- Border agency cooperation – *Art.8*
- Transit formalities and documentation – *Art. 10.1*
- Acceptance of copies – *Art. 10.2*
- Use of International Standards – *Art. 10.3*
- Single Window – *Art. 10.4*

# Regional approach to implementation will maximize the benefits of the TFA

## **Authority for rule making has often been transferred to the community level**

- Areas where regional statutory framework and policies are directly affected: regional intervention should come before national legislation
- Example: UEMOA customs code

## **There is a need for harmonization of practices and regulations**

- Insufficiently coordinated national interventions can translate into disruptive and counterproductive practices ; e.g. internet publications, border agency coordination

## **Economy of scales and sharing of resources can be achieved**

- e.g. establishment of temperature controlled warehouses for perishable goods

## **Only synchronized reforms allow businesses to fully benefit from the TFA**

- Overall supply chain performance = performance of the weakest link

# Muchas gracias!

**Mr. Ezequiel Mariano Guicovsky Lizarraga**  
Senior Officer, Business Development  
Trade Facilitation and Policy for Business

[guicovsky@intracen.org](mailto:guicovsky@intracen.org)

## Thank you for your attention

