



TRADE FACILITATION: PROMOTING TRADE AS AN ENGINE OF GROWTH USING INFORMATION AND COMMUNICATION TECHNOLOGIES (ICTs)

Three factors define the main difficulties faced by developing countries in the area of trade facilitation: (i) limited understanding and use by governments and business (especially SMEs) of trade facilitation and of ICT tools and techniques; (ii) developing countries' limited capacity for policy analysis and inadequate policy instruments for the implementation of trade facilitation, and (iii) inadequate policy coordination for negotiation on trade facilitation. These obstacles tend to reduce countries' development opportunities and to increase the costs of general economic development and social welfare.

The United Nations, through its five regional commissions, is launching a project that seeks to disseminate the benefits of trade facilitation and the standards, tools and requirements for its successful implementation. The project will focus on trade facilitation promoted by: (a) enhanced knowledge and understanding of governments and business regarding trade facilitation and the role of ICT; (b) enhanced use of ICT by SMEs in trade facilitation, and (c) national capacity-building for trade facilitation negotiations.

For further information and possible cooperation with the project, please refer to the website of the International Trade and Integration Division at <http://www.eclac.org/comercio> or to josecarlos.mattos@cepal.org

Background

At the International Forum on Trade Facilitation, which was organized by the United Nations Economic Commission for Europe in collaboration with the other regional commissions (Geneva, 29-30 May 2002), it was recommended that Governments should consider integrated and targeted subregional, regional and international approaches to broadening the scope and enhancing the benefits of customs, trade^[1] and transport facilitation projects. In that context, the United Nations agencies, including the regional commissions, should play a strong role in supporting and developing technical cooperation initiatives for the implementation of trade facilitation measures and instruments, in cooperation with the other relevant international organizations. It was also recommended that the regional commissions should develop, in collaboration with the relevant

United Nations agencies, a joint project on capacity-building for trade facilitation that would address a set of components using an incremental approach, making the best use of the existing infrastructure. The major components identified were: trade facilitation policy and implementation issues; technical assistance to governments; capacity-building for small and medium-sized enterprises (SMEs) in electronic business; and support to countries, subregions and regions for formulating negotiating objectives and strategies for trade facilitation.

In response to these recommendations, representatives of the regional commissions (ECA, ECE, ECLAC, ESCAP and ESCWA) agreed to prepare a joint project to support the Millennium Development Goals as well as the goals defined by the Executive Committee on Economic and Social Affairs (EC-ESA) for the Fourth Tranche while building on the specific advantages of each regional commission and benefiting from the great diversity of development situations in the various regions. This joint project should be seen as complementing the UNCTAD and WTO programme of technical cooperation for capacity building, growth and integration in the context of the Doha Development Agenda.

Definition of the problem:

The project addresses the three main difficulties faced by developing countries in the area of trade facilitation:

- (1) Limited understanding and use by governments and business (especially SMEs) of trade facilitation and of ITC tools and techniques;
- (2) Developing countries' limited capacity for policy analysis and inadequate policy instruments for the implementation of trade facilitation measures; and
- (3) Inadequate policy coordination for negotiation on trade facilitation.

These three factors limit the ability of developing countries to identify priority issues and concerns related to trade facilitation in order to build coherent and timely policy, and to support sectors (particularly that of SMEs) that need external assistance (finding finance, accessing resources).

These factors have a significant impact on the trade flows of SMEs and on Government participation in trade facilitation.

Specifically, the ability of SMEs to compete effectively in foreign markets is affected. Their participation in the supply chains of international trade is limited by the lack of compliance with standards and procedures for e-trade, which in turn restricts export opportunities and, ultimately, export revenues.

Regarding the participation of Government in trade facilitation, the problems mentioned result in a failure to understand significant issues arising from the negotiations between developed countries and developing countries in relation to trade facilitation, standards and procedures, and on the adoption of e-trade practices. National competitiveness in international markets is adversely affected by the lack of technical assistance for upgrading processes and products. This reflects the inadequacy of official policies for the development of a modern business sector.

The combined outcome of the problems at both levels is a decline in integral development

opportunities and an increase in the costs linked to general economic development and the social welfare of the countries.

How the project will tackle the problem

The project will focus on the subject of **trade facilitation**.

Trade facilitation will be strengthened by:

- Enhanced knowledge and understanding of governments and business regarding trade facilitation and the role of ICT
- Enhanced use of ICT by SMEs in trade facilitation, and
- National capacity-building for trade facilitation negotiations.

The accumulated expertise in trade facilitation of some of the regional commissions should be amply used to disseminate the benefits arising from it and information on the requirements, tools and standards that are needed for its successful implementation. In particular, tools and techniques developed under the E-Med Project “Capacity Building in Trade Facilitation and Electronic Business in the Mediterranean” (ECE, ESCWA, ECA) will be further developed and packaged under the project.

It was also proposed by the regional commissions that two global forums should be held in the context of the project. One forum would be held in June-July 2005 in Geneva, under the auspices of the ECE, and would be attended by representatives of the five countries in each region which have more developed trade facilitation schemes. The purpose of this forum would be to disseminate their experiences among the other regions and to provide in-depth analysis of the difficulties encountered and their solutions. The other forum would be held in 2007 by ESCWA at the end of the project and would bring together representatives from five countries in each region for a stocktaking exercise. One by-product of these forums would be enhanced cooperation among the regional commissions in the area of trade facilitation, while the expected accomplishments would be the development of trade facilitation policies in the countries under the aegis of the regional commissions.

The activities related to the project (that is, the dissemination of best practices in the area of trade facilitation, SME use of technologies and tools for better participation in the supply chain and trade facilitation, and national capacity-building for trade negotiations) will be analysed in terms of future implementation by regional workshops on each of the three areas of the project (a total of fifteen workshops). Completion of the project will thus bring an increase in the information and analysis available to the beneficiary countries of the project.

One additional component that would emerge from the project activities would be the development of national and regional approaches to trade facilitation implementation. This will be achieved through the increased use of the United Nations standards for trade facilitation and electronic business developed by the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) [\[2\]](#) and other relevant agencies.

Finally, the project will provide beneficiary countries with opportunities to build networks that will enable policymakers in developing member states to exchange information and adopt common

positions on issues covered by the project. This network will help developing countries to share good practices and adopt common positions on trade facilitation issues and ICT use by SMEs and on trade negotiation aspects of trade facilitation.

Each regional commission committed itself to studying one or more of the three areas covered by the project, in accordance with its priorities:

- The strengthening of trade facilitation will be analysed by all regional commissions under the framework of the ECE Forum “Paperless Trade in International Supply Chains: Enhancing Efficiency and Security”, to be held in Geneva in June 2005.
- Trade facilitation enhancement will also be examined in 2007 at the second Forum, to be held at the end of the project in ESCWA.
- The theme of trade facilitation and SMEs will be considered by ECE in relation to the tools available to these enterprises.
- ECLAC will study the opportunities offered by trade facilitation for the increased participation of SMEs in supply chains.
- ECE and ESCWA will focus on the subject of trade negotiations and trade facilitation from a global viewpoint, while ECA, ESCAP and ECLAC will study the subject from a regional viewpoint.
- ECE and ESCAP will concentrate their work on the development of a “single window” in the area of national and regional approaches to trade facilitation implementation, while ESCWA, ESCAP, ECA and ECLAC will focus on the regional aspects. ECE will also prepare a general overview of the topic and a description of the implementation tools.

Each of these outputs will serve as inputs to the regional workshops, after the corresponding adaptation to regional conditions.

The expected results of the project

The goals of the project will be achieved by holding capacity-building regional workshops with the following objectives:

- (a) To provide participants with the tools needed to build policy coherence for improving market access while enhancing trade facilitation in the context of a sector of subregional importance;
- (b) To provide participants with the tools needed to build policy coherence in trade and logistics in the context of the new information and telecommunication technologies, while at the same time empowering SMEs to compete in international markets through participation in supply chains;
- (c) To assist participants in identifying opportunities for regional, subregional and national policy coordination, priority setting and networking;
- (d) Linking key stakeholders in order to support networking and coordination among disparate

stakeholder groups.

Furthermore, stakeholders in member countries will have an enhanced understanding of trade facilitation, promotion and diversification (concepts and practices) and their incorporation into national and regional trade policy as well as into development plans. Moreover, these stakeholders will have a greater awareness of implementation strategies to integrate small and medium-sized enterprises into international supply chains trade, thereby promoting linkages between the foreign sector and the rest of the economy while member governments will have an enhanced capacity to implement strategies to advance national priorities in trade policy formulation and international trade negotiations. Lastly, regional strategies to increase intra- and interregional trade in the context of open regionalism through rationalization of cross-border procedures and the creation of regional chains of competitive suppliers will be strengthened.

Initial Outputs of the Project:

1. Capacity Building Workshop on Trade Facilitation Implementation for Asia and the Pacific, Malaysia, 17 - 18 March 2005.

The objectives of the Workshop were: (a) to assist countries of the Asian and Pacific region to enhance their understanding of the current challenges and opportunities of trade facilitation from a regional and global perspective; and (b) to explain existing and emerging trade facilitation standards and other instruments.

The Workshop looked at some practical aspects of implementing trade facilitation instruments in areas such as: the scope of trade facilitation from a regional and global perspective, integrated information flows for document and paperless trade, harmonizing and simplifying trade documents and processes, e-business standards and codes and "single window" facilities for trade information and documents.

2. Technical Aspects of GATT Articles V, VIII and X in relation to the Doha Work Programme, 10 March 2005, Geneva.

The objective of the one-day Capacity Building Workshop for the African Group on Trade Facilitation was threefold: (i) to enhance the understanding of trade facilitation negotiators on the technical issues of GATT Articles V, VIII and X, and the possible implications thereof; (ii) to look at the relevant trade facilitation options in a broader context than the three GATT Articles; (iii) to consider the trade facilitation instruments and tools available that fit within the three GATT articles and also the broader areas of trade facilitation referred to.

The Workshop provided trade facilitation negotiators with a technical understanding of the three GATT Articles and a broader view of related trade facilitation tools, standards and approaches that should assist them when: (a) analyzing and negotiating technical aspects of GATT Articles V, VIII and X in the context of the current Doha Work Programme; (b) considering the overall approach to and value of trade facilitation in economic development, (c) determining possible future implementation priorities.

3. Creation of an electronic forum:

The tools used on the web portal include an electronic forum (provisionally called RECTIFAC, with the following tentative web address <http://stnt01.eclac.cl/WB/?Boardid=RECTIFAC>). This

“webboard” is used to disseminate information on the different areas of the project, particularly in relation to pertinent seminars and workshops, and on the availability of new information and documents on the topics under study.

It is expected that membership of this forum will be restricted and by invitation only. Focal points, authorized by Heads of Division or under their authority, will be able to offer membership to participants in seminars, workshops and other activities related to the areas of the project, as well as to members of the target communities of the project, such as government officials, SMEs, entrepreneurs and academics. This will help keep participation focused on the main areas of the project, at least in its initial stages. This may be a regional forum, or it may extend its scope through interregional cooperation. Since in some regions the technological capability to participate in the forum may be very low, the project will facilitate the administration of the web and the forum, and will also propose – through the Bulletin and the web – items for discussion and analysis in the forum. Contributions from other participating institutions and other participating stakeholders will certainly increase the transfer of knowledge among participants.

Other Outputs of the Project:

1. Establishment of a Web portal
2. Establishment of an interregional network
3. Identification of ICT deficiencies and tools to bridge the gaps.
4. The alignment of trade documents to international standards.

Where to get further information:

News on trade facilitation and on the evolution of the project will be posted on the website of the ECLAC Division of International Trade and Integration <http://www.eclac.org/comercio>, where links to the other regional commissions will be available. Interested parties are encouraged to visit these pages frequently for further information.

[1] According to the World Trade Organization (WTO), trade facilitation is the simplification and harmonization of international trade procedures, where trade procedures are the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade. This definition refers to a broad range of activities such as import and export procedures (for example, customs or license formalities); formalities relating to transport; and payment, insurance and other financial requirements (see [FAL Bulletin No. 222, February 2005](#)).

[2] CEFACT is a partnership between the public and private sectors for their mutual benefit. For the private sector, working with governments to improve commerce is critical to improving international competitiveness. For governments, working with the private sector to reduce procedural barriers to trade is critical to improving both their own administrative effectiveness and the economic well-being of their countries (See [FAL Bulletin No. 144, July 1998](#)).