Trade Facilitation for Sustainable Development

“Keeping in mind the bigger picture”

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Sustainable Development?

Economic
- Efficiency & productivity
- Energy efficiency
- Employment & revenue generation
- Access, connectivity & trade competitiveness
- Infrastructure development/Congestion

Social
- Equity & fairness
- Social inclusiveness & value
- Community involvement
- Health
- Safety
- Labour conditions

Environmental
- Marine, air & soil pollution
- Noise, vibrations & biodiversity
- Air emissions/GHGs
- Climate change impacts/resilience
- Resource depletion
- Land use

Source: unctad.org
All UN member States adopted Sustainable Development Goals (SDGs) in Sep. 2015, … to be achieved by 2030

How many SDGs are there?
(a) 12    (c) 17
(b) 15    (d) 19

What is SDG 1?
Trade identified as a key Means of Implementation

https://Sustainabledevelopment.un.org
A framework for channelling trade and investment into sustainable development

Promoted through:

- "Business as usual"
  - Trade liberalization
  - Investment liberalization and promotion

TRADE and FDI

Contributes to...

- Higher government revenues
- Lower prices, more variety, higher consumption
- Better inputs/technology, efficient production, more/better jobs
- Increased capital base and know-how

but may lead to...

- Risk of lower revenue collection due to lower tariffs and FDI incentives
- Environmental and health impact from higher consumption and production
- Risk of crowding out domestic investment and job losses in some industries
- Environmental and social impact of infrastructure development

which should be addressed by...

3. Good governance
   - Targeted trade and investment policies
   - Domestic complementary policies

4. Trade facilitation

Source: https://www.unescap.org/publications/APTIR2017
### Definitions

#### a) Academic literature

<table>
<thead>
<tr>
<th>Study</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Duval (2007).</td>
<td>Trade facilitation involves increasing the efficiency of trading processes. Trade facilitation involves making customs, transport, and banking and insurance (services and infrastructure) more efficient. Trade facilitation cannot simply be limited either to at-the-border or to customs control processes, since these two sets of processes are only two of a number of other processes (e.g., payment and logistics) that affect the efficiency of a trade transaction.</td>
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<td>Grainger (2011).</td>
<td>Trade facilitation looks at how procedures and controls governing the movement of goods across national borders can be improved to reduce associated cost burdens and maximize efficiency while safeguarding legitimate regulatory objectives.</td>
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<td>Persson (2013).</td>
<td>Trade facilitation refers to making it easier for traders to move goods across borders by making cumbersome cross-border trade procedures more efficient.</td>
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<td>Portugal-Perez and Wilson (2012).</td>
<td>Trade facilitation measures can be undertaken along two dimensions: a &quot;hard&quot; dimension related to tangible infrastructure such as roads, ports, highways, telecommunications, as well as a &quot;soft&quot; dimension related to transparency, customs management, the business environment, and other institutional aspects that are intangible.</td>
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<td>Zaki (2014).</td>
<td>Trade facilitation includes five main elements: 1) simplification of trade procedures and documentation; 2) harmonization of the trade practices and rules; 3) more transparent information and procedures of international flows; 4) recourse to new technologies to promote international trade; 5) more secured means of payment for international commerce.</td>
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#### b) International organizations

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<th>Institution/source</th>
<th>Definition</th>
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<td>Asia-Pacific Economic Cooperation (APEC)</td>
<td>Source: APEC (2007). Trade facilitation refers to the simplification and rationalization of customs and other administrative procedures that hinder, delay or increase the cost of moving goods across international borders.</td>
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<tr>
<td>European Commission</td>
<td>Source: <a href="http://ec.europa.eu/taxation_customs/customs/policy_issues/trade_facilitation/index_en.htm">http://ec.europa.eu/taxation_customs/customs/policy_issues/trade_facilitation/index_en.htm</a> Trade facilitation can be defined as the simplification and harmonization of international trade procedures including import and export procedures. Procedures in this context largely refer to the activities (practices and formalities) involved in collecting, presenting, communicating and processing the data required for movement of goods in international trade.</td>
</tr>
<tr>
<td>Organisation for Economic Co-operation and Development (OECD)</td>
<td>Source: Moisé et al. (2011). Trade facilitation refers to policies and measures aimed at easing trade costs by improving efficiency at each stage of the international trade chain.</td>
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“The plumbing of international trade” (Staples, 1998)

“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 and other information required for the movement of goods in international trade.” (WTO documents)

“Any measure, or set of measures, that aims to increase the cost-effectiveness of international trade transactions”. http://www.gfptt.org/
Trade Facilitation? ➔ Definition

IN INVOLVES

BUY
- Prepare for Export

SHIP
- Export

PAY
- Transport
- Prepare for Import
- Import

Commercial Procedures
- Establish Contract
- Order Goods
- Advice on Delivery
- Request Payment
- Packing
- Certification
- Accreditation
- Warehousing

Transport Procedures
- Establish Transport Contract
- Collect, Transport and Deliver Goods
- Provide Waybills, Goods Receipts Status Reports, etc.

Regulatory Procedures
- Obtain Import/Export Licenses, etc.
- Provide Customs Declaration
- Provide Cargo Declaration
- Apply Trade Security Procedures
- Clear Goods for Export/Import

Financial Procedures
- Provide Credit Rating
- Provide Insurance
- Provide Finance
- Execute Payment
- Issue Statements

Paperless Trade (Digital Trade Facilitation)?

- **Paperless Trade**
  Conduct of trade activities on the basis of electronic rather than paper documents *e.g. electronic Customs declaration, electronic cert. of origin* (application of e-commerce to international trade domain)

- **Paperless Trade Systems**
  Legal/regulatory and technical frameworks in which paperless trade transactions take place *e.g. Digital customs system, electronic Single Window facility, e-port management systems, Framework Act on Electronic Transaction (in RoK)*
Paperless Trade (Digital Trade Facilitation)?

- Paperless Trade
  - e-Commerce
  - Trade Facilitation
Expected gains from trade facilitation

• Direct and indirect costs associated with trade documentation and cumbersome trade procedures: 1-15% of value of goods traded
  ➢ $350 billion annually for Asia and the Pacific

• A 1 day of delay prior to shipment reduces trade by 1%

• A 5% reduction in direct export costs result in a 4% increase in exports
Benefits of Trade Facilitation & Paperless Trade

**Government**
- Effective & Efficient Deployment of Resources
- Correct Revenue Yield
- Improved Trader Compliance
- Enhanced Security
- Increased Integrity & Transparency

**Traders**
- Cutting Costs through Reducing Delays
- Faster Clearance & Release
- Predictable Application and Explanation of Rules
- Effective & Efficient Deployment of Resources
- Increased Transparency
Questions for Discussion

1. Why have trade facilitation & paperless trade become increasingly important?

2. How does trade facilitation relates to the three dimensions of sustainable development?
Thank you

www.unescap.org/our-work/trade-investment/trade-facilitation

unnex.unescap.org

http://communities.unescap.org/cross-border-paperless-trade-facilitation
Key factors in lowering trade costs – Asia-Pacific Perspective

Contribution of natural barriers, behind-the border facilitation and trade-related practice to trade costs

- Tariff Trade Costs
  - 0-10%*
  - 60-90%*
  - 1%
  - 6-7%
  - 6-7%
  - 16-18%
  - 52-57%

- Policy-Related Non-Tariff Trade Costs
  - Direct Behind- & At-the border Trade Costs
  - Availability/use of ICT Services
  - Business (Regulatory) Environment
  - Maritime Connectivity/Services

- Natural Trade Costs (Geographical and Cultural Factors)
  - 10-30%*

* Illustrative based on casual observation of the data only. Natural trade costs for landlocked countries may be outside the range shown for natural trade costs.
Why are trade facilitation & paperless trade increasingly important?
Why are trade facilitation & paperless trade increasingly important?

• Tariffs are (often) already low and getting lower
• Trade flows increasingly associated with regional/global production networks
  – Predictability / timeliness is essential
  – High import content of exports
• Supply chain security initiatives are making electronic submission of information a must for developing countries
• The rise of cross-border e-commerce
• Rising number of Non-Tariff Measures
• Covid-19: need for “contactless” trade
How does trade facilitation relate to the three pillars of sustainable development?
How does trade facilitation relate to the three pillars of sustainable development?

• **Economic**
  – Lower trade cost
  – → higher competitiveness, lower price of goods

• **Social**
  – Less complicated, more transparent procedures
  – → participation in trade more inclusive

• **Environment**
  – More efficient trade procedures, digitalization
  – Less energy consumption (waiting at border, transport, Courrier services, less paper)