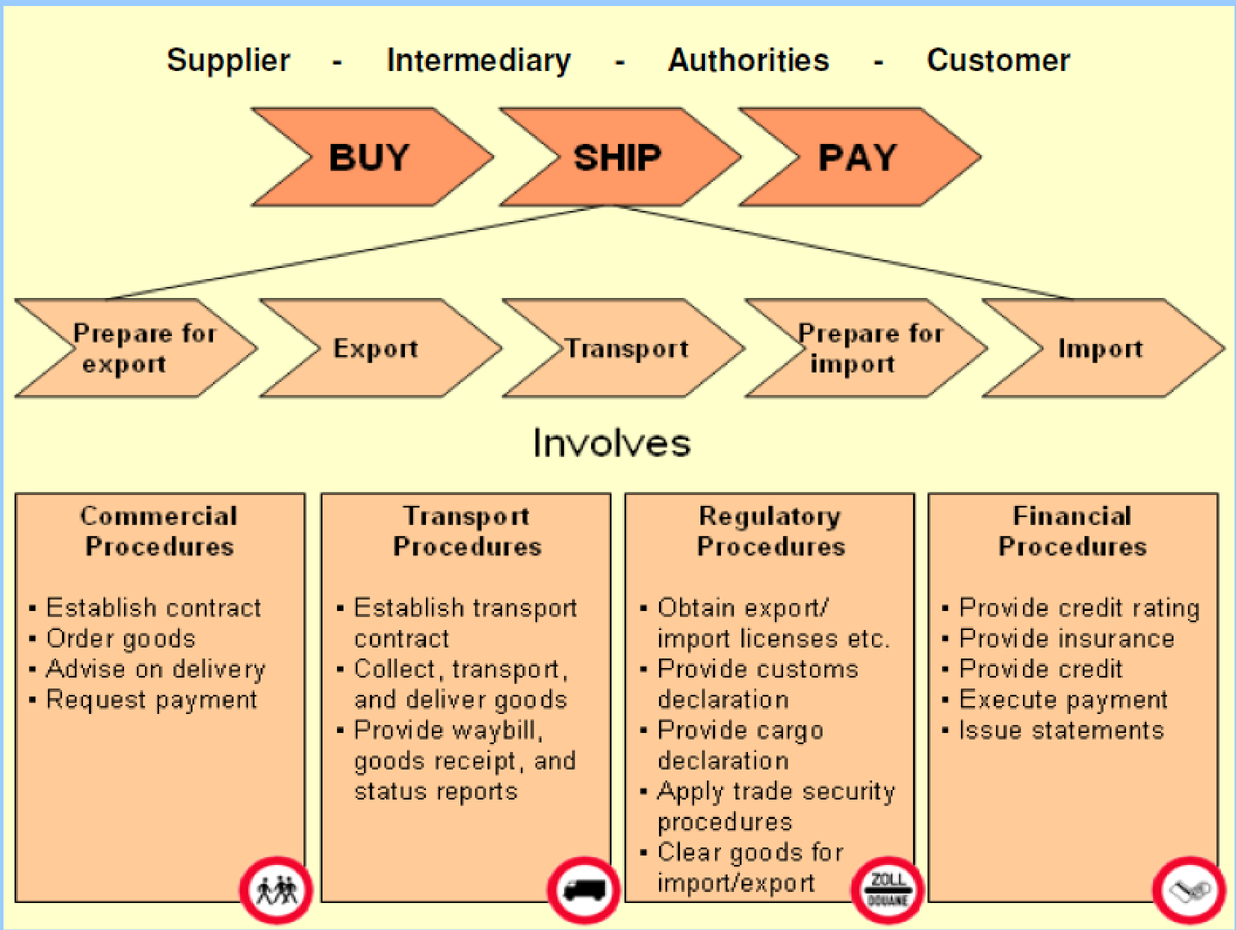
1. TRADE FACILITATION AND BUSINESS PROCESS ANALYSIS

International trade transaction encompasses all activities related to the establishment of commercial contracts (commercial procedures), the arrangement of inland and cross-border transportation of goods (transport procedures), the export and import formalities to meet regulatory requirements (regulatory procedures), and the payment for purchased goods (financial procedures). These activities involve "collecting, presenting, communicating, and processing the data required for the movement of goods.[1]" They require cooperation between many actors, including exporters/traders, government agencies and service providers from different countries.

Box 1-1. The UN/CEFACT international supply chain model

UN/CEFACT Recommendation No. 18 illustrates a simplified view of the international supply chain in the Buy-Ship-Pay model (see the picture below). The model suggests "a series of fragmented activities" that are carried out throughout the international trade transaction. In addition, there are various key actors in the international supply chain associated with different activities within them such as government agencies, intermediaries (i.e. service providers), and traders.



[1] OECD. (2002). *Business Benefits of Trade Facilitation*. Organization for Economic Co-operation and Development. Paris.

1A Participants and their interests

According to their interests and needs, the actors of the international trade transaction can be grouped into the following categories:

a) Government agencies
Government agencies involved in the cross-border trade varies by country but are typically Ministry of Trade, Finance/customs, transport, health, agriculture, information and communication technology, veterinary, and plant and quarantine agencies. All of them are responsible for implementing a wide range of border management policies such as preventing an illegal movement of people and goods, protecting national and international public interest in terms of health, safety and security, and facilitating legitimate travel and trade. Customs is one of the government agencies that is heavily involved in border management. Its role has been extended from traditional tasks such as controlling the entry and exit of goods, enforcing trade laws, ensuring trade compliance, and collecting revenues to facilitating trade through the use of pre-arrival clearances, the implementation of the authorized economic operator (AEO) concept, green lanes, post-clearance audits, and the deployment of information and communication technologies (ICT)-enabled trade facilitation solutions, such as Single Window systems.

b) Intermediaries
Intermediaries are those who provide commercial, financial, and/or transport services within an international supply chain, such as freight forwarders, customs brokers, third-party logistics service providers, carriers, express integrators, port and terminal operators, banks, insurance companies, and information technology (IT) value-added service providers. They are normally from the private sector, which needs a swift exchange of trade information and transparent regulatory environment in order to comply with the requirements of clients.

c) Traders
Traders include those who buy and sell goods. Generally, they are the principals of the cargo and users of the services provided by the intermediaries. In carrying out international trade transactions, they must meet the regulatory requirements of government agencies from both the home country, the destination country, and respective transit countries. The competitiveness of the sellers depends not only on sellers' productive capacities, but also on sellers' ability to fulfill orders. This means delivering products to the destination at the right time, at the right quality, at the right quantity, at reasonable costs, and provide other services as required such as traceability of cargo. It is therefore important that transparency and predictability of the international supply chain especially in customs procedures, the physical inspection of goods, and the acquisition of trade-related administrative documents are enhanced so that trade transaction costs and uncertainties within the supply chain can be reduced to the minimum.

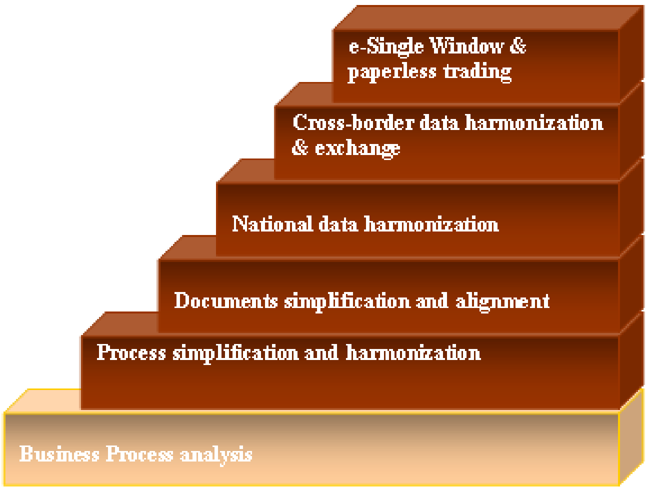
1B Business Process Analysis in the context of trade facilitation

Trade facilitation is recommended by many international and intergovernmental organizations as a strategy to eliminate bottlenecks and complexities of the international trade. Various definitions that have been adopted reflect different trade facilitation measures. They include:

- The simplification of trade procedures and, where possible, elimination of unnecessary and duplicate ones;

- The harmonization of trade procedures with international recommendations, best practices, and standards;
- The simplification and standardization of documents required for the international trade transaction;
- The harmonization and standardization of information and information flows associated with the international trade transaction;
- The effective and efficient sharing of trade and transport related information among relevant stakeholders of the international supply chain;
- The use, standardization, and improvement of physical infrastructure and facilities; and
- The harmonization of applicable laws and regulations with international standards.

Figure 1B-1 Step-by-step approach toward an electronic Single Window and paperless trade environment



The successful implementation of trade facilitation measures, however, requires not only political and governmental support in terms of policy directions as well as human and financial resources, but also an in-depth understanding about existing business processes. According to UN/CEFACT's step-by-step approach toward a Single Window paperless environment as shown in *Figure 1B-1*, business process analysis is recommended as the first step to be taken before undertaking other trade facilitation measures related to the simplification, harmonization, and automation of trade procedures and documents.[2]

In order to improve the efficiency and effectiveness of processes and information flows throughout the international supply chain, it is highly recommended that the "as-is" conditions of relevant business processes are well understood prior to the selection of trade facilitation measures.

[2] UNECE (2006). *Background Paper for UN/CEFACT Symposium on Single Window Common Standards and Interoperability*, Geneva.