

## Key elements of national trade facilitation strategy

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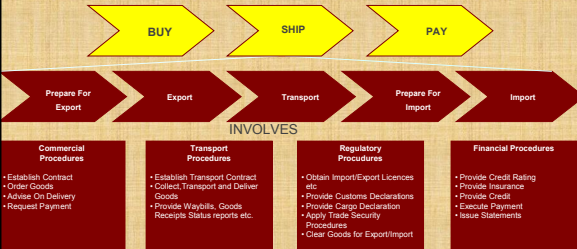
## Agenda

- Review the key elements for national trade facilitation strategy (in other words, what elements CAN - but not necessarily - be included in national trade facilitation strategy?)
  - Definition and scope of TF
  - Benefits and costs for implementing TF measures
  - Key areas of TF



## Trade Facilitation – definition (1)

- In its **narrowest** sense, trade facilitation may be defined as the systematic rationalization of customs procedures and documents.
- In a **broader** sense, it covers all the measures that affect the movement of goods between buyers and sellers, along the entire international supply chain.



**INVOLVES**

<b>Commercial Procedures</b> <ul style="list-style-type: none"> <li>Establish Contract</li> <li>Order Goods</li> <li>Advise On Delivery</li> <li>Request Payment</li> </ul>	<b>Transport Procedures</b> <ul style="list-style-type: none"> <li>Establish Transport Contract</li> <li>Collect Transport and Deliver Goods</li> <li>Provide Waybills, Goods Receipts Status reports etc.</li> </ul>	<b>Regulatory Procedures</b> <ul style="list-style-type: none"> <li>Obtain Import/Export Licences etc.</li> <li>Provide Customs Declarations</li> <li>Provide Cargo Declaration</li> <li>Apply Trade Security Procedures</li> <li>Clear Goods for Export/Import</li> </ul>	<b>Financial Procedures</b> <ul style="list-style-type: none"> <li>Provide Credit Rating</li> <li>Provide Insurance</li> <li>Provide Credit</li> <li>Execute Payment</li> <li>Issue Statements</li> </ul>
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## Trade Facilitation – definition (2)

- Trade facilitation can be defined to **include** policies and processes that reduce the cost, time, and uncertainty associated with engaging in international trade but **exclude** traditional trade instruments such as tariffs, import quotas, and other similar nontariff barriers.
- Regardless of how one defines trade facilitation, what differentiates it from other trade issues is its focus on efficient and predictable processes, including
  - increasing transparency and predictability of trade rules;
  - reducing risk and uncertainty in trade;
  - effectively implementing trade-related laws and regulations; and
  - efficiently moving goods and associated services and information across borders.

Reference book:  
"Designing and Implementing Trade Facilitation in Asia and the Pacific"  
by ADB and ESCAP

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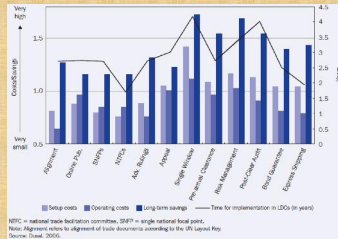
## Benefits of Trade Facilitation

- Reduce trade transaction costs
- Reduce lead time
- Enhance reliability of supply chains
- Improve trade competitiveness
- Increase foreign direct investment (FDI).
- Increase participation of SMEs in international trade
- Improve economic growth prospects



## Costs for Implementing Trade Facilitation Measures

- Institutional costs
- Regulatory and legislative costs
- Equipment and training costs
- Other costs



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## Key Areas of Trade Facilitation

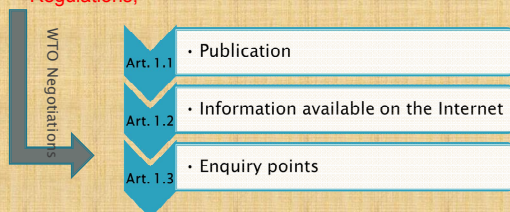
- Trade and Customs Laws and Regulations
- Publications and Administration of Trade Regulations
- Trade Procedures and Documents
- Trade Related Infrastructure and Services
- Transit arrangement

## Key Areas of Trade Facilitation

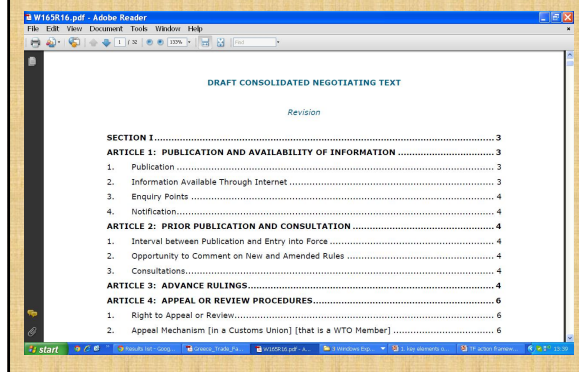
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## Publications and Administration of Trade Regulations (1)

- Three GATT Articles:
  - Article V: Freedom of Transit;
  - Article VIII: Fees and Formalities connected with Importation and Exportation;
  - Article X: Publication and Administration of Trade Regulations;



## Publications and Administration of Trade Regulations (2)





### A group exercise

- A trade portal has been set up in Lao PDR to provide trade related information.
- Suppose a similar trade portal will be set up in Kyrgyzstan, please analyze Kyrgyzstan's SWOT in developing such Portal



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### Trade procedure and document: Basic Principles

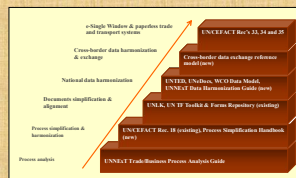
- Trade procedures, data, and documents should be based on international conventions, standards, and other relevant instruments
- Data and documents should be kept to a minimum

### Trade procedure and document: Good Practices

- Clearance and release procedures should be kept as simple as possible
  - Pre-arrival processing of documents
  - Computerization and automation of customs and other border agency procedures
  - Risk management systems
  - Post-clearance audit
  - Authorized traders schemes
  - Coordination of border control procedures

### Rationalize Trade Documents and Related Procedures

- Classify all tradable products and identify all agencies involved in trade controls
- Evaluate current procedures
- Streamline trade document processing
- Align and simplify documents used in international trade
- Introduce and gradually implement revised procedures and documents

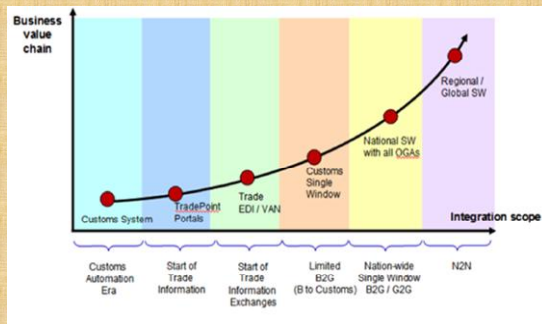


### Implement Effective Trade and Customs Enforcement

- Trade control is important for a country to prevent trade in prohibited and harmful goods such as drugs, unlicensed arms, fake pharmaceuticals, endangered animal species, and pirated products. In addition, authorities need to ensure that the correct customs and import duties are collected to avoid loss of government revenue. The challenge is, therefore, to facilitate trade while at the same time ensuring compliance with trade and customs regulations.
- The key to solving this challenge is to put in place a risk management system to facilitate low-risk (i.e., low risk of noncompliance) trade while focusing attention and controls on trade at a higher risk of violating regulations.



## Computerize and Automate Trade Documents and Procedures



## Key Areas of Trade Facilitation

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## Trade Related Infrastructure

- Infrastructure investment can be undertaken for non-trade reasons
- Physical infrastructure development, in some cases, is not a trade facilitation measure *per se*.
- Physical infrastructure such as border crossing facilities, dry port, warehouses etc are more related to trade
- Financial resources for infrastructure
  - Investment from government
  - PPP
  - Financial institutions
  - Private investment
  - Aid for trade
  - ...

## Trade Related Services

- Capacity building and enhancing the professionalism of the industry operators
- Rules and regulations
  - To introduce more competition?

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## Transit arrangement

- Freedom of transit is the core principle being promoted in GATT Article V and further clarified in the ongoing negotiations.
- Traffic in transit should be able to travel freely through the territory of a transit country and to travel by the most convenient route.
- Importantly, transit goods should be exempt from customs duties and only subject to reasonable charges for transportation (such as highway tolls) and/ or reasonable transit charges commensurate with the administrative expenses entailed by the transit or with the cost of the services rendered (e.g., transit escort services).



## Measures to facilitate transit

- *Grant traffic in transit expedited and simplified treatment at the border*
- *Establish an effective customs guarantee system for goods in transit*
- *Strengthen coordination and cooperation between authorities on both sides of the border.*
- *Effectively implement transit agreements (the provisions of the Agreements may include, among others, all the above-mentioned measures)*

## Transit issues of Kyrgyzstan

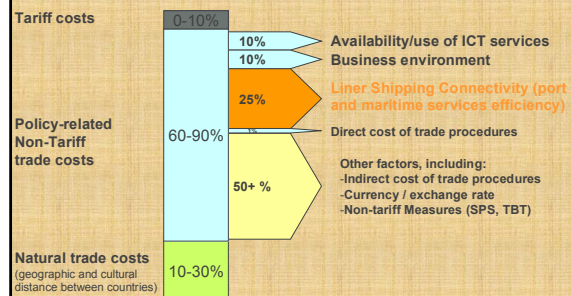
- A protocol between the Kyrgyz Republic and Kazakhstan on Putting into Operation the Joint Technology for Using Sealed Safe Packages was signed on 9 September 2008.
- The efficiency of transit depends on many factors. Apart from geographical position, institutions and infrastructure play a considerable role. ADB (2008) analyzed the transit trade barriers for Kyrgyz transit transport through Kazakhstan, and found the following major constraints that inhibit transit trade:
  - (i) weak legal framework;
  - (ii) complex and outdated border procedures and documentation;
  - (iii) lack of coordination among the border agencies;
  - (iv) lack of mutual recognition of customs control procedures and customs seals and stamps;
  - (v) weak private sector stakeholders such as transport and trade associations;
  - (vi) inadequate transit and guarantee systems; and
  - (vii) inadequate customs and transport infrastructure.

Source: ADB, 2008, Analysis of Transit Trade Barriers for Kyrgyz Transit Transport through the Republic of Kazakhstan.

Which factors influence trade facilitation the most?



What explains changes in the trade costs across countries?\*



\*simplified representation based on Duval (2011)

## Selected findings from BPA for TF studies

- Document preparation takes most time, followed by transport/handling issues
- Some procedures/regulations driven by industry associations to prevent entry by new/small players
- Procedures between private parties are a big part of the overall trade process
- Importance of port logistics confirmed
- Large variations in time and cost across products (or product usage), transport routes, destination, firm size,...
- Data collected needs to be carefully validated (e.g., through multi-stakeholder meetings)

## Trade Cost

- ESCAP trade cost database provide unique BILATERAL cost information
- → Countries to learn how to measure bilateral trade costs based on their national data
- → Countries to learn how to interpret available (cross-country) indicators and their limitations

•What are the most serious  
barriers for trade facilitation in  
Kyrgyzstan?



Thank you!

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[www.unescap.org/tid](http://www.unescap.org/tid)

