Annex A

Report on the OECD Global Forum on Trade Facilitation Colombo, Sri Lanka, 18-19 October 2005

by

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The OECD Global Forum on Trade Facilitation was held in Colombo, Sri Lanka, on 18-19 October 2005, in order to provide an opportunity for representatives from government, business, research institutions, civil society and international organisations to discuss the implications of ongoing WTO negotiations on trade facilitation for developing countries. The Forum was organised by the OECD Trade Directorate, in collaboration with the government of Sri-Lanka. It was part of the OECD effort to contribute to the WTO members' endeavours to "seek to identify ... trade facilitation needs and priorities, particularly those of developing and least-developed countries, and ... also address the concerns of developing and least-developed countries related to cost implications of proposed measures", as set out in Annex D of the WTO July Package, setting the modalities for negotiations on trade facilitation. Around 85 people representing 45 countries from all parts of the world participated in the event.

The discussions explored various topics related to trade facilitation: *i)* the economic effects of trade facilitation, *ii)* the costs of introducing and implementing trade facilitation measures, *iii)* how to identify the needs and priorities of developing countries and design appropriate technical assistance and capacity building programmes, and *iv)* how to ensure a proper match between commitments and capacities. Moreover, presenters and discussants from national governments, international organisations and business representatives shared national experiences, information on donor support programmes, private-sector positions, and views on implementation issues for developing countries.

Particular emphasis was placed on the role of developing countries in the WTO discussions and the state of play of the WTO Negotiating Group on Trade Facilitation (NGTF). While the discussion focused on issues related to the three core GATT articles (V, VIII and X) being negotiated at the NGTF, several presenters examined a broader and wider range of trade facilitation measures and issues.

Overall the discussion produced a wide-ranging and frank exchange of ideas with significant contributions by participants from international organisations and representatives from both developed and developing countries. There appeared to be wide agreement regarding the benefits of enhanced trade facilitation, both in the context of the three GATT articles and more widely, as well as a need to explore more ambitious measures. Furthermore, the conference allowed representatives from developing and least-developed countries (LDCs) to voice their concerns regarding the implementation costs of trade facilitation measures and engage in a constructive dialogue with donor agencies.

This report summarises the principal points and discussions, identifies recurrent themes, and concludes with a summary of the main themes and findings of the conference.

The economic effects of trade facilitation

The first session of the Global Forum discussed the potential economic effects of trade facilitation measures, particularly the influence of trade facilitation on trade flows; private-sector views on trade facilitation as a key factor in investment decisions; and country experiences on the relationship between trade facilitation and government revenue. The presentations and ensuing discussion highlighted the fact that by lowering trade transaction costs (TTCs),[1] trade facilitation measures can improve international trade flows, increase a country's investment attractiveness and improve revenue collection by increasing the efficiency of customs administrations.

Mr. ***Anthony Kleitz***, of the OECD Trade Directorate, gave a detailed review of the potential benefits arising from trade facilitation measures

1. Trade transaction costs are the direct and indirect costs incurred by traders when going through the commercial and official procedures at all stages of the physical movement of goods from consignor to consignee. These costs cannot, by definition, be fully eliminated, but they can be considerable reduced by measures aimed at improving the efficiency of border procedures.

proposed for inclusion in a WTO agreement. Trade facilitation has largely been considered a "win-win" scenario for governments, business and consumers; however there is debate regarding the costs and benefits of implementing trade facilitation measures. In order to better grasp the overall context, the OECD has examined various scenarios that could affect the extent of potential benefits and the parties that are most likely to reap them. Drawing on previous research, the OECD estimated that trade transaction costs range from 1 to 15% of the total trade transaction value. Models calculating the welfare effects of reducing TTCs demonstrate that benefits would not necessarily accrue equally among countries and would be influenced by a number of trade and geographical patterns, such as border process quality, the composition of trade and the size of trading firms. Countries that need to undertake greater efforts in order to close the gap with best practices, as well as countries that rely heavily on agrofood product trade or trade by small and medium-sized enterprises (SMEs), are likely to reap the greatest gains. In such a "diversity" scenario, developing countries would be the big winners even in the case of modest reductions in TTCs.

However, the models also found that welfare gains mainly accrue to countries that actively engage in implementing trade facilitation measures. An "OECD-only" scenario, whereby non-OECD countries would undertake no trade facilitation efforts, brought a surplus of benefits to OECD countries and losses to non-OECD and developing countries. Higher trade volumes generate increases in government revenue which can then be re-invested in institutional improvements, thus creating a "virtuous" cycle. There also appears to be a link between increased foreign direct investment (FDI) and improved trade facilitation as countries that fail to upgrade their customs regimes risk missing benefits derived from global supply chains.

Mr. ***Jae-Huyn Park***, of the Ministry of Foreign Affairs and Trade of Korea, presented the Korean experience with implementing a post-clearance audit system, which was introduced in response to rising import volumes in the 1990s and in order to facilitate trade. Previously, Korea used a pre-clearance audit system which tended to cause delays and strained relations between customs and importers. The post-clearance system[2] reviews only the basic import declaration to determine the accuracy of the tax amount filed, thus expediting clearance. There are different types of post-clearance audits, including the case-by-case audit, paper-based and using risk management principles; the planned audit, examining firms with a high risk

2. Some exceptions remain. For certain goods, pre-clearance audits are maintained, such as goods benefiting from tariff reductions, goods with large price fluctuations, and goods imported by untrustworthy firms.

of tax evasion and involving an audit in the firm's premises; and the self-assessment audit (SSA), which allows importers (pre-selected or approved by the government) to self-assess the accuracy of taxes paid.

Korea tried all three systems with varied results. The case-by-case audits did not facilitate procedures and lacked transparency. The planned audits were established to carry out strategic audits for items with a large risk of tax evasion but encountered difficulties involving low efficiency, low compliance and more corruption. On the other hand, the SSA system led to greater co-operation, a reduction in logistics costs, greater motivation for importers, and facilitated trade at a relatively low cost. SSA helped establish a customs-business partnership with incentives for both sides to ensure accuracy and increase efficiency through mutual co-operation. Korea was able to implement the SSA without significant investment in information technology infrastructure or manpower, a potentially attractive option for developing countries. Finally, the Korean government indicated its willingness to assist developing countries to implement systems akin to SSA.

Following the presentations there was a lively discussion in which the important beneficial role of trade facilitation, particularly for landlocked countries, was acknowledged. A participant stressed that landlocked countries are among the world's least competitive economies: their geographic disadvantages are intensified by high transit costs that undermine their export performance and can result in greater poverty. Several participants stressed the benefits of grouping trade facilitation measures on a regional basis, as seeking bilateral arrangements with immediate neighbours is often insufficient for solving problems that often have a wider, regional scope. Furthermore, the ongoing WTO negotiations offer the opportunity of a global forum in which landlocked countries should adopt an aggressive negotiating position.

However, several developing country delegations expressed concerns regarding the implementation costs of various trade facilitation proposals and the technical assistance and capacity building needed to help developing countries face those costs. Participants asked whether the OECD models adequately accounted for infrastructure needs in their assessments. The OECD Secretariat clarified that its work was based on the same narrow definition of trade facilitation underlying WTO negotiations but that each country's situation would need to be analysed when reviewing TTCs.

Many developing country representatives expressed interest in adapting the Korean model to their own situations. Some questioned how SSA could be applied in their countries and asked about the criteria used by the Korean government to select firms that would be able to use SSA. Others praised the merits of post-clearance audits as critical tools for developing countries and a way to increase competitiveness. The Korean government representative noted that SSA is similar to several "green channel" systems in place in various counties and that Korean Customs always maintains oversight on firm accreditation to SSA. Regarding selection criteria, while this information is sensitive and not publicly available, he indicated that selection criteria generally involve firms' history of compliance and import volumes over a period of time. On the other hand, concerns were raised regarding the level of technical assistance and the need to ensure co-ordination of the many government agencies with technical oversight on imports which can lengthen clearance times. Mr. Park stressed that the system may not be applicable in all situations, as Korea only developed a need for SSA once its trade volumes began to rise. He also reiterated Korea's willingness to assist developing countries who wish to learn from its experience.

The second set of presentations dealt with the influence of trade facilitation programmes on the geography of trade, the relationship between trade facilitation and FDI, and the incidence of trade facilitation on government revenue. Mr. ***Jan Hoffman***, of UNCTAD, highlighted ten global trends which strongly influence the geography of trade. Developing countries increasingly trade in manufactures; intra-firm trade has expanded and so has trade in intermediate goods and South-South trade; land transport dominates intra-regional trade; logistics expenditure has decreased relative to transport expenditure; transport technology upgrades have outpaced government modernisation; privatisation and labour reforms have affected port operations; tariff reductions have brought average tariffs below transport costs; and WTO negotiations have attracted more attention to trade facilitation. Trade facilitation supports the positive effect of these trends on trade flows through a series of measures such as advance rulings, pre-arrival clearance, risk management, automation, right of appeal, publication, single windows, international standards, containerised trade, etc. A virtuous cycle is thus created that can lead to significant productive and institutional improvements: trade facilitation allows shorter transport times, which lead to larger trade flows, which in turn encourage further improvements in transport services and infrastructure. This is particularly important for developing countries in which reliance on aid should be replaced by reliance on trade. However, the presenter acknowledged landlocked countries' particular difficulties for implementing these measures.

Mr. ***Jayanta Roy***, of the Confederation of Indian Industries, gave a private-sector perspective on trade facilitation and FDI. Trade facilitation is, along with factors such as workforce reliability, political stability and sound macroeconomic fundamentals, a key determinant of FDI investment decisions. Such decisions are guided by the ability of the market to allow the establishment of a manufacturing operation which can serve the regional market and produce for exports. Therefore, efficient transport and logistics systems can facilitate incorporation into global value production chains and create incentives for greater FDI inflows. The presenter stressed that in the APEC region alone, businesses rank customs procedures as the most important impediment to trade. If customs procedures are unpredictable because they lack transparency, or do not allow just-in-time processing because of border delays, fewer businesses will envisage locating manufacturing operations in the country. This inefficiency frequently offsets the competitive advantage developing countries enjoy because of low labour costs. On the contrary, efficient procedures that allow servicing markets beyond national borders help attract FDI to countries whose markets are too small to be interesting for their own sake. The presenter argued that FDI in India is below potential owing not only to a difficult investment climate but also to border delays, lack of customs authority over other agencies on border procedures and poor infrastructure: it takes three to five days to clear a cargo container in Indian ports compared to less than eight hours in Hong Kong, China.

Mr. Roy stressed that to improve customs operations there needs to be an active dialogue between the government and the private sector. Some areas for potential private sector involvement include institutional development through trade capacity building and training, focal points for the collection and dissemination of information on trade facilitation best practices, expertise in international legal issues, supply chain management and border transactions, support for an economic reform agenda, participation in international efforts to improve trade facilitation, and assisting in the implementation of trade facilitation measures. The presenter concluded by saying that FDI does not automatically translate into higher growth; it needs to be supported by good policies and strong institutions.

Mr. ***James Walt Sullca Cornejo*****,** of Peruvian Customs, described Peruvian Customs' revenue enhancements through institutional and human resource reforms and the modernisation of infrastructure and equipment. The main goals of the reforms were to shape a new institutional image, instil professionalism, develop new customs procedures at national level, adhere to international agreements like the WTO Customs Valuation Agreement (CVA), and improve revenue collection. Reforms were enacted in two stages and led to improved revenue collection, use of new risk management models, an increase in exports, reduction of dispatch times and greater use of information technology. By adopting these reforms and improving revenue collection Peru was able to continually reinvest and enhance the operations and technical capacity of the customs administration.

The discussion period enabled participants to explore specific measures they could undertake to reduce dispatch times and improve cargo clearance. Participants sought to learn more about the reforms undertaken in Peru and India and applying those lessons to their countries. Several stressed that co-operative action and dialogue with the private sector is gaining ground in their countries. On the other hand, the view was expressed that the narrow scope of current negotiations, exclusively focused on GATT articles V, VIII and X, needs to be complemented by advances in transport and infrastructure issues. Both aspects would call for technical assistance and capacity building as well as enhanced international co-operation to avoid geographically fragmented efforts.

However some participants linked progress on trade facilitation in the WTO to other issues currently under negotiation in the framework of the Doha Development Agenda (DDA), such as agriculture and non-agricultural market access. An LDC representative stated that although his country is interested in adopting trade facilitation measures to improve its export potential, particularly for agricultural commodities, he was concerned that trade facilitation measures coupled with other WTO DDA outcomes may increase imports and competitive pressures on domestic commodity producers.

As the Chair, ***Sarath Jayathilake*,** Director General of Customs, Sri Lanka, stressed, the session highlighted the overall virtuous circle of trade facilitation measures, with widespread agreement that the greater the number of trade facilitation improvements undertaken by a country, the more benefits accrued either via increased trade, enhanced revenue collection, or expanding FDI volumes which can later be reinvested in institutional improvements. At the same time, participants felt that WTO trade facilitation discussions only cover a fraction of possible trade facilitation measures, citing in particular infrastructure as a potential future topic. Finally, there was widespread agreement that developing country concerns, needs and costs must be adequately addressed by developed countries and the donor community.

The costs of introducing and implementing trade facilitation measures

The second session of the Global Forum dealt with the implementation costs of trade facilitation, a subject of great interest to developing countries which was often raised during the earlier session. Despite a general acknowledgement that trade facilitation is in line with broader development goals, some participants have argued that the costs of trade facilitation may be difficult to justify in light of other development priorities. Accordingly, the Decision adopted by the WTO General Council on 1 August 2004 indicated that negotiations on trade facilitation "shall also address the concerns of developing and least developed countries related to cost implications of proposed measures". In response, the OECD Trade Committee sought to analyse the costs and challenges of trade facilitation, based on the experience of countries that have introduced and implemented trade facilitation measures. The session presented those findings, the experiences of several developing countries regarding cost implications, the challenges presented by the process of reform and the programmes organised by several international organisations.

Mrs. ***Evdokia Moise***, of the OECD Trade Directorate, presented the OECD Trade Committee work on the costs of trade facilitation measures, drawing on the experience of 15 developing countries which had recently implemented or were in the process of implementing measures similar to those proposed for inclusion in the future WTO agreement. The objective was to help draft WTO commitments that take into account countries' implementation capacities, to help countries understand what is involved in implementing new commitments and design appropriate technical assistance and capacity building. The main findings indicated that *i)* trade facilitation is generally undertaken as part of larger reform and efficiency enhancement projects and has generally been undertaken with existing resource; *ii)* it is important to understand a country's starting point in order to design appropriate measures and that countries can close the gap by incorporating international "best practices"; and *iii)* coherence is very important, since linkages between different types of measures make certain measures a prerequisite for the introduction of others. There generally appears to be a virtuous cycle between efficiency enhancements and trade facilitation, as launch and operating costs can be offset by subsequent savings and improvements in revenue collection. However there is a need for continuous implementation efforts after initial introduction to ensure the measures' sustainability.

The study found certain measures relatively easier to implement than others. Transparency measures are generally not very costly, yet bring important and wide-ranging benefits; at the same time making information available in a widely understood third language is more difficult to implement, whereas Internet publication costs are lower than widely believed. Enquiry points and binding rulings can be good candidates for technical assistance. Pre-arrival clearance can provide important savings but requires some level of automation. Risk management takes time to introduce and can be more difficult to implement in the context of informal trade, but offers large benefits by reducing waiting times and improving fraud control. Finally single windows and improved border agency co-ordination can take various forms with costs varying accordingly.

Mr. ***Gerard McLinden***, of the World Bank, presented the World Bank's Negotiating Support Project, which helps developing and least developed countries identify their needs and costs relating to trade facilitation measures. The project aims to support developing countries whose participation in negotiations is frustrated by their limited representation in Geneva and the lack of means to engage in complex, technical negotiating issues. It is essentially based on a Negotiations Support Guide and a series of pilot workshops aimed at enhancing co-ordination between Geneva-based negotiators and capital-based experts. Experience with the project shows that the review of negotiating proposals is a time-consuming process and requires ongoing and dynamic support. At the same time, it confirms that most countries already have some form of modernisation or reform programme in place and would in any case have implemented best practices in the long run.

Although technical assistance is often necessary, the pilot review workshops have brought out several measures that can be implemented with modest support. However, a number of implementation barriers, such as faltering political will or lack of inter-agency co-operation, are domestic in nature and not amenable to technical assistance and capacity-building support. The ambitiousness of the future agreement will clearly affect the difficulty of implementation, as provisions allowing for some flexibility in implementation will be less costly than language demanding tighter commitments or timetables. The challenge will be to conclude a meaningful agreement that delivers real benefits to governments and traders and leaves no countries behind, while taking into account legitimate capacity constraints and implementation issues facing developing countries.

The next presentation, by Mr. ***Yann Duval*,** of the United Nations Economic and Social Commission for Asia-Pacific (UN ESCAP), presented preliminary findings from an ongoing study on trade facilitation undertaken by UN-ESCAP's ARTNeT initiative (Asia-Pacific Research and Training Network on Trade). The research is focused mainly on the costs of, and needs related to, implementation of selected trade facilitation measures relevant to GATT Articles V, VIII and X, as well as related macro-level benefits. Drawing upon the OECD work on the cost of implementing trade facilitation, ARTNeT conducted studies in Bangladesh, China, India, Indonesia and Nepal. The methodology involved an assessment of the current level of implementation of trade facilitation measures based on World Customs Organisation (WCO) self-assessment tools, the needs and priorities of the private sector, and the costs for government implementation. Preliminary findings indicate that many measures being discussed at the WTO have already been partially implemented, principally due to regional efforts through the Asia-Pacific Economic Co-operation (APEC) and other regional trade agreements. However, the private sector has often indicated that customs regulations and procedures represent a significant additional cost burden and that while improvements in trade facilitation measures are reported in many countries there is still plenty of room for more improvement.

Some of the most problematic customs issues reported by the private sector go beyond what is being discussed at the WTO.[3] While it is difficult to cost specific measures it appears that the most costly measures to implement are those related to information technology requirements and off-the-job training of officials. Among reviewed countries, there seems to be a fair level of implementation of trade facilitation measures but the presenter argued that, to be effective, a future WTO agreement would need to specify expectations and might call for indicators measuring progress in implementation. The question also rises whether countries should implement commitments over the same timetable or whether there should be a sequencing of measures on a country-specific basis. Areas representing high priority for the private sector and entailing relatively limited costs for the government, such as timely and consistent publication of rules and regulations, simplification/harmonisation of trade documents and establishment of national enquiry points, should be in the core of the future agreement. Other commitments, such as single windows, risk management or pre-arrival clearance, would need to be carefully combined with appropriate technical assistance and capacity building.

Mr. ***Sachin Chaturvedi***, of the Research and Information System for Developing Countries (RIS), India, focused on research conducted in the framework of ARTNeT on India, against the backdrop of a growing information technology sector, improved time-related trade measures, and growing regional trade in India. The study found that trade facilitation efforts, including increased transparency, introduction of a pilot phase for risk assessment and automation, have started bearing fruit: processing stages for exports have been reduced from 18 to 6 and clearance time is improving gradually. However, problem areas such as customs valuation and tariff classification, which are outside the scope of WTO negotiations on trade facilitation, still hinder proper implementation of pre-arrival clearance. Other challenges to an overall trade facilitation endeavour include the lack of appropriately trained government officials, as well as the lack of

3. The eight most problematic areas reported by the private sector were, in order of importance, customs valuation, inspection and release of goods, tariff classification, submission of documents for clearance, obtaining of import licences, payment of fees and penalties, technical or sanitary requirements, identification of origin of goods.

preparedness on the part of the trading community. As in many other countries, the largest implementation costs were linked to automation, IT infrastructure and scanning equipment; however, implementation challenges were not so much linked to financial difficulties as to poor co-ordination among the agencies concerned, which has not made it possible to establish single windows for clearance in India.

The discussion period focused on countries' experiences with the costs and challenges of trade facilitation measures and how these relate to the ongoing WTO negotiations. For several developing countries with small delegations in Geneva, timely feedback from capitals is essential. Countries that have benefited from the World Bank Project have been able to participate more actively in the negotiations. Work to assess the implications of proposals for the countries' economy and to analyse gaps in institutional and resource capabilities with respect to potential commitments could further assist developing countries to make informed decisions about which negotiating proposals to adopt, which to reject and how to prepare for implementation. In order to schedule technical assistance and capacity building that appropriately address the cost implications of trade facilitation commitments, the text of the future WTO agreement needs to specify the level of ambition expected from members. This raises the question of whether the assessment of needs and capacities of members should take place during the implementation phase or earlier, while future commitments are still negotiated.

Some participants recalled that security concerns may further complicate trade procedures; identifying approaches that adequately take such concerns into account without unduly burdening trade flows will be one of the challenges for future trade facilitation endeavours. However, speakers stressed that trade facilitation and security need not conflict, as measures to enhance efficiency at the border have the triple effect of reinforcing security, improving revenue collection and facilitating trade. In prioritising measures, countries should take due account of the anticipated benefits. Trade facilitation measures that enhance efficiency and improve revenue collection for re-investment into further trade facilitation measures should be high on developing countries' reform agenda.

Another challenge is to plan and implement measures that rely to a certain degree on costly equipment and infrastructure. Although agreeing with the speakers that infrastructure expenses can be wasted in the absence of the political will to advance a reform agenda, several developing country representatives stressed that even widely endorsed reform agendas can languish for lack of adequate infrastructure. The cost of information technology and scanners often delays full implementation of measures such as risk management and post-clearance audits. Other measures, such as direct trader input, which is significant for efficient pre-arrival clearance, are complicated by the lack of capacity not only in the administration, but also among the trading community and the country's trading partners. However, creative solutions to limited capacity can be found by mobilising the private sector through "build-and-operate" systems or through public-private partnerships. The private sector is often keen to support trade facilitating reforms financially because it costs them less than to support the inefficiencies imposed by red tape.

Participants noted that inter-agency co-ordination often seems to falter in the face of the reluctance of border agencies to relinquish some of their control activities, fearing that they may lose their prerogatives. National trade-facilitating bodies can play a valuable role in bringing together all concerned government agencies, as well as private-sector representatives, although this needs to be an ongoing endeavour, as staff turnover may weaken established co-ordination. Other participants cautioned that to make concerned agencies work together in a meaningful way requires strong political will.

Likewise, enhanced co-ordination among neighbouring countries can address transit issues more efficiently. Chair ***Rigoberto Gauto***, ambassador of Paraguay to the WTO, recalled that, while landlocked countries are heavily reliant on neighbouring transit countries to improve their access to international markets, transit countries are often not in a position to finance all necessary facilitation initiatives. Pooling technical assistance and capacity building requests at the regional level may be the most efficient way to mobilise donor support.

Identifying needs and priorities of developing countries and designing appropriate technical assistance and capacity-building programmes

The third session of the Global Forum presented available instruments for assessing the needs, priorities and implementation capacities of developing countries. Past experience shows that trade facilitation reforms must be tailored to reflect the particular circumstances and needs of each country in order to ensure ownership and sustainability. At the same time, a holistic approach to the reform of customs and border procedures can yield more sustainable results than a piecemeal approach. Narrowly focused reforms are not necessarily sustainable in the absence of a more comprehensive modernisation programme to enhance the capacity of the administration to cope with change.

The session also discussed best practices for the design and delivery of technical assistance and for efficiently harnessing such assistance to build up the necessary capacities. Properly identifying needs, priorities and implementation capacities not only allows assessing where countries stand and measuring the "gap" between their current situation and the efforts they need to undertake in the context of a trade facilitation agreement; it also provides a platform for designing and implementing appropriate technical assistance and capacity building and allowing the necessary time to make implementation possible.

Mr. ***Ray McDonagh***, of the WCO, focused on the tools and approaches used by customs authorities for the diagnosis and implementation of trade facilitation. He stressed the difficult environment facing customs agencies worldwide. Customs agencies were essentially designed for revenue collection and protection but must now adapt to a complex global environment with issues such as "just-in-time" manufacturing, globalisation, paperless transactions and automation. A country's economic development is closely tied to its ability to trade effectively, which in turn is strongly affected by its customs agency's capabilities. Lessons learned during past customs capacity building efforts show that such capabilities are directly affected by the existence, or lack thereof, high-level political will and commitment, ownership and participation in customs reforms, accurate diagnosis of the current situation, realistic government and donor expectations, adequate resources and enhanced co-operation at all levels.

The WCO offers a whole array of tools to assist countries to develop and upgrade their customs capacity. For example, the WCO Diagnostic Framework improves the ability of customs administrations and practitioners to diagnose problems and weaknesses, distinguish possible solutions and improvement options, and identify needs and assistance priorities. It is backed by other instruments, such as the time-release studies, the revised Kyoto convention, the Arusha declaration on integrity, the Harmonised System, the integrated supply chain management guidelines, etc. While many of the instruments proposed by the WCO go beyond what is being discussed at the WTO, they provide the tools to implement the commitments that may be agreed in the context of a WTO agreement.

Ms. ***Caroline Lesser***, of the OECD Development Co-operation Directorate, presented the work of the Development Assistance Committee (DAC), a forum of 22 major bilateral donors plus the EC, which seeks to improve the effectiveness of aid and policy coherence. The DAC has launched a project on trade facilitation to review past donor activities and identify best practices, so as to ensure that the programming and delivery of technical assistance and capacity building for trade facilitation is part of broader development strategies and in line with aid effectiveness principles. The presenter reported that from 2001 to 2004 total aid commitments for trade facilitation more than tripled. Most support has gone to lower-middleincome countries while LDCs received a smaller percentage. This may be due to the fact that while trade facilitation has been identified by potential recipients as a way to enhance their country's competitiveness, it has not necessarily been incorporated in their national development or poverty reduction strategies. In addition, many bilateral donors appear to have a geographical or regional focus, for example 70% of European Commission funding is for central and eastern Europe, the Balkans or the Community of Independent States.

A large share of aid is directed to infrastructure support, of which almost half was targeted at transport and storage. Furthermore, in addition to donor support for implementation of trade facilitation measures, technical assistance and capacity building funding are provided to support negotiations and integration into the multilateral trading system. The presenter indicated that the available support is likely to increase owing to predicted increases in national development plans and the "Aid for Trade" proposal. However, for such support to be efficient, it is necessary to properly identify needs and prioritise actions for both donors and recipients, in a way that reflects development programmes. There is also a need for long-term, coherent, flexible donor support co-ordinated with the recipient. Finally the presenter reiterated the importance of linking the WTO discussions with national development plans and goals.

In the discussion that followed a number of commentators stressed the importance of improved communication and co-ordination among donors and between aid donors and recipients. Parallel and duplicative operations of various donors in the same country have frequently been observed in the past and could be avoided through in-country co-ordination. Considerable amounts of donor funding have also been largely ineffective, owing to the lack of a more "strategic" approach towards aid. On the other hand, one participant argued that trade facilitation issues are often sidestepped in larger contexts, such as the Integrated Framework or Poverty Reduction Strategy Papers (PRSP), and advocated a separate, exclusive fund for trade facilitation that would allow taking up costs and challenges that go beyond the three GATT articles under negotiation. The speakers recalled that the donor community is currently rethinking tools like the Integrated Framework, and recent proposals on aid for trade advocate regional or cross-country funds for issues that are not addressed in national PRSPs. An improved co-ordination mechanism could also attempt to identify and address technical assistance and capacity-building gaps in countries or policy areas that are not receiving the necessary assistance. However, assistance is and should in any event be triggered by recipient request and not imposed by the donor.

Participants stressed again the obstacles to trade facilitation reform raised by the large digital divide and infrastructure gaps in many poorer countries. For instance, many developing countries have basic problems such as insufficient coverage in electricity or telecommunications, which make it difficult, if not impossible, to take measures such as automation or paperless systems. While acknowledging the challenge posed by material problems, the presenters recalled that customs agencies tend to be among the first government agencies to receive resource improvements. In addition, reduced clearance times due to trade facilitation will also ease shortages with respect to port, warehousing and equipment capacity. The obstacle to progress towards paperless procedures is often not the problem of automation but the lack of legislation to allow the acceptance of digital signatures. Other participants also recalled that assistance related to trade facilitation covers a wide spectrum which goes beyond the WTO negotiations and that significant amounts of investment are already channelled to these issues, much more than what is actually reported under the label of official development assistance (ODA).

The next speakers, Mr. ***Dayaratna Silva***, of the Mission of Sri Lanka to the WTO, and Mr. ***P. D. K. Fernando*****,** Director of Customs, Sri Lanka, focused on Sri Lanka's experience with the World Bank Negotiations Support Project. Through the programme, Sri Lanka was able to establish a co-ordinating group involving 11 stakeholder organisations to analyse and respond adequately to WTO proposals in a timely manner. In addition, the project facilitated Sri Lankan Customs officials' participation in WTO meetings in Geneva as well as the use of a procedural guide. Increased participation created greater awareness among key stakeholders in Colombo and clarified understanding of WTO issues, thus increasing support. Although there is still a need to increase private-sector participation and to advance more quickly, overall the World Bank Negotiations Support Project has been a very useful tool for Sri Lanka.

The final speaker, Mrs. ***Adelina Molina***, of the Philippines Bureau of Customs, gave an overview of modernisation efforts by the Philippines Customs. These efforts were reinforced by a parallel mobilisation of private-sector support and by close work with bilateral and multilateral donor agencies. Co-operation with the private sector was critical, as the government worked closely with industry groups to improve service delivery and banking groups to protect the integrity of the payment system. Through these reforms, the Philippines was able to evolve towards best practices, improve cargo clearance times, increase revenue collection and reduce documentary requirements. Moreover, Philippines Customs is now working with information technology companies located in economic zones to incorporate an automated export documentation system (AEDS).

However, there is still room for improvement in creating paperless transactions, full automation and reducing clearance times.

During the subsequent discussion several participants expressed their sympathy towards the problems of very small delegations trying to cope with the negotiations, and their appreciation of the benefits of negotiating support such as that enjoyed by the Sri Lanka mission in Geneva. They recalled that several small countries are unable to fund a permanent mission in Geneva and rely on infrequent trips by officials from other locations to participate in WTO meetings. Countries such as small Caribbean islands have pooled their limited number of experts and established a multiple-country mission, currently supported by donor funding, but rely on the life cycle of donor projects, which do not necessarily correspond to the life cycle of the negotiations.

Other participants commended the Philippines on its modernisation efforts. Chair ***Christina Rahlén*****, of** the Ministry of Foreign Affairs, Sweden, stressed how important it was to ensure sustainability of such efforts so as to enjoy their trade facilitating advances in the long run. Participants called attention to measures, in particular those relating to information technology, which require regular maintenance and updates to operate satisfactorily, as these imply regular expenses that require a funding solution. However, past experience shows that the enhanced revenue collection due to these measures can often cover maintenance and updating expenses. Other modernisation endeavours will call for a prior reform of institutional settings, as in the case of legislation on digital signatures. This is something that does not entail high costs but requires overcoming domestic inertia. Likewise, with respect to donor co-ordination, recipients have an important role to play at the domestic level, without waiting for co-ordination at the international level.

Concluding round table: How to match commitments and capacities?

The final session consisted of a lively roundtable exchange centred on the questions of how future commitments can best be linked to implementation capacities; what special and differential treatment provisions can best ensure that benefits from a trade facilitation agreement will be fully reaped by all WTO members; and how can in-built flexibilities appropriately reflect not only the costs and complexities but also the potential benefits of trade facilitation. Several themes emerged during the discussion, around an overall agreement that trade facilitation is beneficial for all countries. Participants recalled that any discussion about cost implications should not ignore the costs of "doing nothing": what is the financial burden of current inefficiencies on the private sector and on the domestic and global economy?

However it was also felt that reaping expected benefits may call for a number of prerequisites that go beyond commitments as they shape up in the WTO context. Some participants called for including infrastructure in the trade facilitation negotiations. Ambassador of Nepal ***Gyan Chandra Acharya*** recalled that trade facilitation affects much more than procedures at the border and may be instrumental in determining a country's competitiveness and its access to international markets. Issues such as transport and productive capacity have also to be taken into account. Small and vulnerable economies or landlocked countries can use the trade facilitation opportunity to reverse the marginalisation of their economy. It is important to understand the proposals on the negotiating table in a comprehensive manner and to fully grasp their implications for the whole of the economy. Small country delegations will need better negotiation support to correctly assess the implications of proposed measures for their country, shape their negotiating position accordingly and prepare the ground for future implementation. Some developing country participants raised the idea of a separate fund dedicated to trade facilitation and the creation of a group of eminent persons to decide on the allocation of funds.

Mrs. ***Christina Rahlén*****,** Ministry of Foreign Affairs, Sweden, stressed that, in addition to financial costs, countries engaged in trade facilitation have to take into account a time factor: sustainable reforms do not happen overnight and it is not realistic to expect all commitments to be implementable immediately or even as soon as technical assistance has been provided. On the other hand, this makes strategic and step-by-step planning of reforms even more important. Some participants questioned whether Annex D organisations were in a position to provide adequate levels of assistance and capacity building. The World Bank representative pointed out that although there is still not enough money directed to trade issues, those issues attract increasing support. The critical issue now is to ensure the efficiency and effectiveness of donor support, for instance in the context of processes such as Aid for Trade, which are useful complements to assistance specifically targeted at trade facilitation. Possible effectiveness criteria include *i)* a robust process for identifying needs and priorities and matching those to available technical assistance; *ii)* donor flexibility; *iii)* ability to build on and complement rather than replace or duplicate existing local mechanisms; *iv)* reliance on regional economies of scale; *v)* reliance on available international instruments; *vi)* simplicity of administration; and *vii)* review and monitoring mechanisms.

Several participants stressed the importance of including all actors (private sector, other border agencies) not just governments or customs agencies in the process. Mr. ***Owen Makuu***, Director for External Trade of the Ministry of Trade & Industry, Kenya, underlined that, as in many other countries, the progress achieved by the Kenyan Customs agency was not matched by all other involved players, such as port authorities, police or other government and private entities involved in the transit of goods to neighbouring landlocked countries. More work would be necessary to achieve a more balanced situation for the movement of goods as a whole. Furthermore, different government agencies in the same country may be working with different donors in an un-co-ordinated way that does not promote a comprehensive improvement of the logistic chain.

Another theme related to the need for better co-ordination between international donors and beneficiaries. The question of how developing country requests for donor assistance could be prioritised by the donor community and international agencies was raised. On the other hand, participants mentioned the importance of ownership among beneficiary countries and partnership between those countries and the donors: when technical assistance and capacity building programmes set by the donors reach an end and the experts leave the country, it is crucial for the recipient country to continue the effort and take it further forward. An important element for taking advantage of technical assistance would be to have capable project managers to administer support programmes.

Mr. ***Eduardo Tempone*****,** of the Permanent Mission of Argentina to the WTO, noted that the challenge is to develop the right approach to the ongoing negotiations. The discussant argued that Annex D of the July package has reversed the traditional logic of WTO agreements, which usually started by setting commitments supposed to be subsequently implemented, but paid little attention to the capacity to ensure the implementation. According to the modalities agreed for the trade facilitation agreement, implementation capacity and related needs should be addressed first, including via technical assistance; countries would be bound by the commitments contained in the agreement only when such capacity has been acquired. This calls for early self-assessment diagnostics to define technical assistance requirements. While technical assistance is not a binding commitment in the WTO, it would become a real prerequisite for the agreement to enter into force – the key issue then is how to create incentives for technical assistance and capacity building that reaches every country that needs them and not only countries that are attractive owing to their important trade flows.

Mr. ***Jonathan Claridge*****,** of the European Commission, recalled that GATT articles V, VIII and X are over 50 years old and badly in need of updating to reflect the needs of developing countries and the current international trading system. He stressed that any final agreement should be inclusive, seeking to ensure that expected benefits accrue to the whole WTO membership and that no country would be forced to undertake commitments it cannot implement. Assessment and consideration of individual country needs and priorities will therefore be crucial for the success of the agreement. A developed country representative stressed that no agreement could be reached without acknowledgement of developing country capacity needs. Each member will have to decide what level of commitment it can achieve and how much it will cost. However, his own country's experience demonstrates that outside international pressure can help create momentum for internal co-ordination

On the other hand, Ambassador of Zimbabwe ***Chitsaka Chipaziwa*** recalled that progress in the trade facilitation negotiations is tied to developments on other WTO issues under negotiation, in particular agriculture and NAMA, and that the prospects of success will rely to a great extent on external factors. He also questioned whether developing country negotiators who are heavily reliant on developed country negotiating support can analyse and consider proposals in an independent way. Participants expressed hope that the highly contentious WTO issues will not derail progress in areas such as trade facilitation where there is relatively wide agreement on the benefits of moving forward. A developed country participant warned not to lose sight of the prize of trade facilitation by focusing on negotiating strategy or tactics.

Concluding remarks

The Chair, Jean-Marie Metzger, OECD Director for Trade, thanked all discussants and participants for a very interesting discussion. In summarising the main points raised during the session he stressed in particular, that *i)* all countries should look after their own best interests but should move away from a overly mercantilist attitude towards the negotiations and fully engage in them, *ii)* that the conclusion of the DDA will be the beginning and not the end of the process of trade facilitation, and *iii)* that developing counties should send a strong message to the donor community to be active, present and engaged, reminding them that much is expected from them.

The discussions at the Global Forum serve as a reminder that while there is wide agreement on the benefits of trade facilitation, questions remain on how best to achieve those benefits. Clearly any WTO agreement will need to be concluded in tandem with solid commitments on technical assistance and capacity building.

Acronyms and Abbreviations

ABAC	APEC Business Advisory Council
ACE	Automated Commercial Environment
ADB	Asian Development Bank
AFIP	Federal Administration of Public Revenue (Argentina)
APEC	Asia Pacific Economic Cooperation
APFC	Asia Pacific Foundation of Canada
ASEM	Asia-Europe Meeting
ASYCUDA	Automated System for Customs Data Processing
BDV	Brussels Definition of Value
BSCC	Baltic Sea Customs Conference
CAP	Collective Action Plan
CASE	Customs Automation Services (Jamaica)
CBR	Central Board of Revenue
CCRA	Canada Customs and Revenue Agency
CEMP	Customs Expansion and Modernisation Programme
CGE	Computable general equilibrium
CIS	Commonwealth of Independent States
CRMS	Customs Risk Management System
CTB	Customs and Tariff Bureau
CTG	Council for Trade in Goods (WTO)
DDA	Doha Development Agenda
DFAT	Department of Foreign Affairs and Trade
DFID	Department for International Development (UK, ex ODA)
DI	Destination Inspection
DTRE	Duty and Tax Remission for Exporters

EC	European Commission
EDI	Electronic Data Interchange
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
FAST	Flexible Anti-Smuggling Team
FDI	Foreign Direct Investment
FoB	Free On Board
FTA	Free Trade Agreement
G7	Group of Seven
GAINDE	Gestion automatisée de l'information douanière et économique)
GATT	General Agreement on Tariffs and Trade
GoP	Government of Pakistan
GSP	Generalised System of Preferences
GTAP	Global Trade Analysis Project
HS	Harmonized System
IADB	Inter-American Development Bank
IAP	Individual Action Plan
ICC	International Chamber of Commerce
ICT	Information and Communication Technology
IDA	International Development Association (World Bank)
IMF	International Monetary Fund
IOC	Input Output Co-Efficient
IOCO	Input Output Co-efficient Organisation
ISIDORA	Internet-Integrated System For Customs Operations and Regulations (Chile)
IT	Information Technology
JETRO	Japan External Trade Organization
JICA	Japan International Co-operation Agency
JSEPA	Japan-Singapore Economic Partnership Agreement
LAC	Latin American and Caribbean countries

LDC	Least Developed Countries
MIS	Management Information System
MOF	Ministry of Finance
MoFP	Ministry of Finance and Planning (Mozambique)
NAFTA	North American Free Trade Agreement
NCTS	New Computerised Transit System (EU)
NGTF	Negotiating Group on Trade Facilitation (WTO)
ODA	Overseas Development Administration (UK, now DFID)
PAT	Port Authority of Thailand
PRINCE	Project Management in Controlled Environments
PSI	Pre-Shipment Inspection
SAD	Single Administrative Declaration
SBE	Single Bill of Entry
SIM	*Sistema Informático María*
SIU	Staff Irregularities Unit
SME	Small and Medium-Sized Enterprise
SOFI	Computer System for International Freight *(Système d'ordinateurs pour le fret international)*
SPS	Sanitary and Phytosanitary
SRC	Survey and Rebate Cell
TEDI	Trade Electronic Data Interchange
TEPI	Trade, Export Promotion and Industry Initiative
TIMS	Trade Information Management System
TPR	Trade Policy Review
TTCs	Trade Transaction Costs
UMA	Angolan Technical Unit for Customs Modernisation
UN	United Nations
UN/CEFACT	United Nations Centre for Trade Facilitation and Electronic Business
UN/EDIFACT	UN Directories for Electronic Data Interchange for Administration, Commerce and Transport

UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nations Economic Commission for Europe
URA	Uganda Revenue Authority
USTR	United States Trade Representative
UTRA	Mozambique Customs Rehabilitation Unit
VAN	Value-Added Network
VAT	Value-Added Tax
WCO	World Customs Organization
WTO	World Trade Organization

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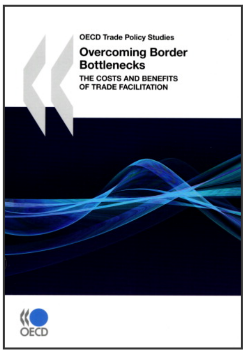

From:

Overcoming Border Bottlenecks

The Costs and Benefits of Trade Facilitation

Access the complete publication at:

https://doi.org/10.1787/9789264056954-en

Please cite this chapter as:

Moise, Evdokia (2009), "Annex A: Report on the OECD Global Forum on Trade Facilitation Colombo, Sri Lanka, 18-19 October 2005", in OECD, *Overcoming Border Bottlenecks: The Costs and Benefits of Trade Facilitation*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/9789264056954-8-en