Implications of the Trade Facilitation Agreement for LLDCs

Raúl Torres
Development Division
WTO
Why is the Trade Facilitation important for LLDCs?
Trade Facilitation and Competitiveness

- Customs clearance times are key determinants of foreign investment, export status and productivity.

- For integration into global value chains efficient importation is as important as exportation.

- **Inefficient customs practices** and complex procedures significantly reduce the ability to successfully integrate to global value chains.

- Trade costs are a crucial ingredient for competitiveness and FDI.
Trade Transaction Costs (TTCs)

- TTCs depend on the good, trader and country.
  - Direct TTCs amount to 2-15% of the value of goods
  - Indirect TTCs (delays, corruption, etc.) amount to 1-24%

- TF measures at the border have a high potential for cost reduction: 10% OECD countries and 13-15.5% for non-OECD countries
## Trade transaction costs and the LLDCs - a comparison with LDCs

<table>
<thead>
<tr>
<th></th>
<th>Cost to export (US$ per container)</th>
<th>Cost to import (US$ per container)</th>
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<tbody>
<tr>
<td>Landlocked LDCs</td>
<td>2885</td>
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<td>Coastal LDCs</td>
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<td>All LDCs</td>
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<td>Non-LDC LLDCs</td>
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<tr>
<td>All LLDCs</td>
<td>2559</td>
<td>2591</td>
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</table>
Time as a trade barrier

• Time delays and depreciation costs can reduce trade flows even more significantly than trade tariffs.
  - Each day saved in shipping time is worth 0.8% ad-valorem for manufactured goods.

• Time-sensitive products (perishable, just-in-time) are even more affected by delays at the border.
## Trade times and the LLDCs - a comparison with LDCs

<table>
<thead>
<tr>
<th></th>
<th>Time to export (days)</th>
<th>Time to import (days)</th>
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<tbody>
<tr>
<td>Landlocked LDCs</td>
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<td>Coastal LDCs</td>
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<td>All LDCs</td>
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<td>Non-LDC LLDCs</td>
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Pictures speak more than words (or numbers)
Kazungula border crossing – ZMB BWA NAM ZWE
The Trade Facilitation Agreement (TFA)
Ministerial Decision of 7 December 2013 - Bali Ministerial Conference

- Concludes the negotiations of the Trade Facilitation Agreement
- Establishes a Preparatory Committee
- Mandates follow-up work
Preparatory Committee

- Will function as a normal WTO Committee

- Immediate tasks
  - Perform a legal review (no changes of substance)
  - Draft a Protocol of Amendment to include the TFA in Annex 1A of the WTO Agreement
  - Receive notifications of category A commitments

- Chairman: Ambassador Esteban Conejos (Philippines)
Ratification process

- TFPC to draft Protocol of Amendment
- General Council to adopt Protocol before 31 July 2014
- Members to go through their internal treaty ratification process and notify acceptance of protocol to WTO
- The Protocol will be open for acceptance until 31 July 2015
- The Agreement will enter into force once 2/3 of the WTO Members ratify it
Structure of the TFA

- Preamble
- Section I:
  - TF disciplines (Articles 1-11)
  - Customs Cooperation (Article 12)
  - Institutional Arrangements (Article 13)
- Section II:
  - Special and Differential Treatment
- Final Provisions
- Annex 1 – Donor TA notification format
Examples of TF provisions

- **Expedited Shipments**: procedures to expedite the release of air cargo
- **Use of Int. Standards**: Harmonization of trade practices and rules
- **Single Window**: submission of documentation for import/export to a single electronic point.
- **Authorized operators**: lower documentation and inspections, rapid release, deferred payments, etc.
- **Customs Cooperation**: Multilateral customs cooperation and exchange of relevant information.
Examples of TF provisions

- **Publication**: publish a wide range of info related to procedures for clearing of goods for import/export.
- **Advance rulings**: binding decisions by Customs, on request, on classification/origin
- **Appeal**: provides for the right of appeal or review on a decision made by Customs
- **Risk Management**: focus on high-risk consignments to expedite release and clearance of low-risk goods
Examples of TF provisions

- **Border Agency Cooperation:** ensure cooperation and coordination between authorities and agencies responsible for border controls to facilitate trade

- Suggests the following for cooperation with other Members:
  - **Alignment of working days/hours and procedures/formalities;**
  - **Joint controls and sharing of common facilities**
  - **Establishment of one stop border post control**
Article 11- Freedom of Transit

1. Any regulations and formalities shall not:
   a. Be maintained if circumstances/objectives no longer exist.
   b. Constitute a disguised restriction on trade

2. Traffic in transit shall not be conditioned on collection of fees (except cost based, transport and administrative expenses)

3. Prohibition on voluntary restraints on traffic in transit

4. Non-discrimination principle expanded and strengthened
Article 11 - Freedom of Transit

5. Separate infrastructure for traffic in transit encouraged
6. Formalities, documents and controls shall not be more cumbersome than necessary
7. No charges, delays or restrictions once goods cleared for transit
8. No application of TBT measures to transit goods
9. Advance filing and processing of transit documentation to be allowed and provided
Article 11- Freedom of Transit

10. Promptly terminate transit operation once exit point is reached

11. Guarantees:
   1. Limited to ensuring requirements are fulfilled
   2. Discharged without delay
   3. Allow multiple transaction or renewal
   4. Publish information used to set guarantees
   5. Convoys or escorts only in high risk cases

12. Endeavour to cooperate to enhance transit

13. Endeavour to appoint national transit coordinator
TFA Section II
Special and Differential Treatment
General Principles

- Section I will be implemented by developing and LDCs in accordance with Section II
- TA and CB should be provided to help implementation
- The extent and the timing of implementation will be related to the implementation capacities.
- Implementation will not be required until capacity has been acquired
General Principles

- Assistance and support for capacity building should be provided to help developing and LDC country Members implement.
- The extent and the timing of implementation will be related to the implementation capacities.
- Implementation will not be required until capacity has been acquired.
- LDC Members will only be required to undertake commitments to the extent consistent with their individual development, financial and trade needs.
Categories of Provisions

- **Cat. A**: Implement upon entry into force (developing countries) or within one year after entry into force (LDCs)
- **Cat. B**: Implementation after a **transitional** period of time
- **Cat. C**: Provisions requiring the acquisition of implementation capacity through TACB
Notification and Implementation of Category A

- **Developing countries**: implement *upon* entry into force. Category A commitments will then be made an integral part of the Agreement.
  - Notifications due by **31 July 2014**

- **LDCs**: Notify to the Committee up to **one year** after entry into force and thereby be made an integral part of the Agreement
Category B
Notification and Implementation

Notify the Committee the provisions and indicative dates for implementation.
Member may request an extension of the notification period.

Notify the Committee the provisions and definitive dates for implementation.

Entry into Force

- 1 year
- 2 years
- 3 years

LDCs
Developing Countries

Confirm designations of provisions and notify its dates for implementation.
Member may request an extension.
Category C
Notification and Implementation

- **Notify Committee provisions and indicative dates**
- **Member and donor inform TACB arrangements**
- **Inform on progress in TACB and notify definitive dates**

**Entry into force**
- **1 year**
- **2 years**
- **2.5 years**
- **4 years**
- **5.5 years**

- **Notify Committee Category C provisions**
- **Notify information on TACB required in order to implement**
- **Inform TACB arrangements and indicative dates**
- **Inform on progress in TACB and notify definitive dates**

**LDCs**
Early Warning Mechanism

- If a Member experiences difficulties implementing by the definitive dates it established, it should notify the Committee:
  - **Developing Countries**: no later than **120 days** before the expiration date
  - **LDCs**: no later than **90 days** before the expiration date
- Notify new dates and indicate reasons for delay
- Automatic extension if it is the **first request** and for less than **1.5 years** (developing) or **3 years** (LDCs)
- Subsequent extensions submitted to the Committee
Expert Group

- Where an extension has not been granted or there are unforeseen circumstances and a Member self-assesses its lack of capacity to implement, the TF Committee will establish an Expert Group (composed of 5 independent persons)
- Expert Group will examine issue and make a recommendation within 120 days of its composition
- No DSU recourse from the time of notification until:
  a) first meeting of the Committee after the recommendation (developing countries);
  b) Committee makes a decision (LDCs)
Additional Measures

• Members can **shift** provisions between Category B and C but must provide information on assistance required to build capacity

• **DSU Grace Period:**
  - **Developing:**  
    Cat. A - 2 years
  - **LCDs:**  
    Cat. A - 6 years
    Cat. B & C - 8 years
Donor Members: Information on Assistance

- For transparency purposes, Donor Members assisting developing and LDC Members will inform the Committee, at entry into force and annually thereafter, the TACB that was given.

- This includes amounts, agencies involved, description of assistance and procedures.
Trade Facilitation Committee

At least one dedicated session per year to:

• discuss problems regarding implementation
• review progress in provision of TACB
• share experiences and information
• review donor notifications
TF Assistance Commitments 2002-2012

Source: OECD/DAC/CRS
## TF Needs Assessment

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<th>New requests 2014</th>
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<td>Moldova</td>
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<td>Niger</td>
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<td>Swaziland</td>
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# TF Needs Assessment 2007-2010

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<td>Uganda</td>
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Self Assessment

- WTO has published a guide to assist Members to assess their TA/CB support needs and priorities to implement the TFA

- TN/TF/W/143/Rev.7