High-Level International Workshop
“WTO Agreement on Trade Facilitation: Implications for LLDCs”

Introduction of the WTO Agreement on Trade Facilitation and its implications on the LLDCs

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The Trade Facilitation Agreement (TFA)
Structure of the TFA (post legal review)

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

GATT X:
Art. 1: Publication & Availability of Information
Art. 2: Opportunity to Comment, Information before Entry into Force & Consultation
Art. 3: Advance Rulings
Art. 4: Appeal or Review Procedures
Art. 5: Other Measures to Enhance Impartiality, Non-Discrimination and Transparency

GATT VIII:
Art. 6: Disciplines on Fees & Charges imposed on or in connection with Import & Export
Art. 7: Release and Clearance of Goods
Art. 8: Border Agency Cooperation
Art. 9: Movement of Goods under Customs Control intended for Import
Art. 10: Formalities Connected with Importation and Exportation and Transit

GATT V:
Art. 11: Freedom of Transit
Art. 12: Customs Cooperation
Nature and scope of the obligations

- **Binding**
  - Art. 11.8 Members shall not apply technical regulations and conformity assessment procedures … to goods in transit.

- **Best Endeavour**
  - Art. 11.17 Each Member shall endeavour to appoint a national transit coordinator

- **Combination**
  - Art 1.2.1 Each Member shall make available… through the internet
  - Art.1.2.3 Members are encouraged to make available further trade related information…
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
Other TF provisions of interest to LLDCs

• **Expedited Shipments:** procedures to expedite the release of air cargo

• **Single Window:** submission of documentation for import/export to a single electronic point.

• **Authorized operators:** lower documentation and inspections, rapid release, deferred payments, etc.

• **Risk Management:** focus on high-risk consignments to expedite release and clearance of low-risk goods
Other TF provisions of interest to LLDCs

• **Border Agency Cooperation:** 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
Section II: Special and Differential Treatment
General Principles

• The extent and the timing of implementation will be related to the implementation capacities.
• TA and CB should be provided to help implementation.
• Implementation will not be required until capacity has been acquired.
• Each developing member determines its capacity.
• Each developing member decides on the categorization of provisions.
• All provisions binding on all members and will be eventually implemented.
Categories of Provisions

- **Cat. A**: Implement upon entry into force or within one year after entry into force (LDCs)
- **Cat. B**: Implementation after a self-designated *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 indicative dates for implementation. Member may request an extension of the notification period.

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

1 year
2 years
3 years
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

LDCs:
- 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
Additional flexibilities

• Early warning mechanism
  • Extension of transition periods
• Expert Group
  • Cat C lack of capacity
• Category Shifting
  • Can change from Cat B to C
• DSU grace period
  • Developing: Cat A 2 years
  • LDCs
    • Cat A: 6 years
    • Cat B: 8 years
TF Assistance Commitments 2002-2012

Source: OECD/DAC/CRS
TFA
Implementation
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)
    - English text legal review concluded
    - Legal review to ensure accuracy of translation of Spanish and French texts to be done before end of July
  - Draft a Protocol of Amendment to include the TFA in Annex 1A of the WTO Agreement
  - Receive notifications of category A commitments
    - HKG, MEX, CRI

- 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
Why is the Trade Facilitation Agreement important for LLDCs?

- The main objective of the TFA is to reduce trade transaction costs (TTCs)

- LLDCs have the highest TTCs

- TTCs are a crucial ingredient for enhancing export competitiveness and attracting FDI.
  - Direct TTCs amount to 2-15% of the value of goods
  - Indirect TTCs (delays, corruption, etc.) amount to 1-24%

- TF Measures can potentially reduce TTCs between 13-15.5% for developing countries
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 transaction costs and the LLDCs - a comparison with LDCs

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<thead>
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<th>Cost to <strong>export</strong> (US$ per container)</th>
<th>Cost to <strong>import</strong> (US$ per container)</th>
<th>Time to <strong>export</strong> (days)</th>
<th>Time to <strong>import</strong> (days)</th>
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<td><strong>3252</strong></td>
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Based on World Bank data