

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

Developing
Countries

Notify the
Committee the
provisions and
indicative dates for
implementation



Entry into Force

Notify **definitive**
dates for
implementation
Member may
request an extension
of the notification
period

1 year



2 years



3 years



Notify the Committee
the provisions and
indicative dates for
implementation

Confirm
designations of
provisions and
notify its dates for
implementation.

Member may
request an
extension

LDCs

Category C

Notification and Implementation

Developing Countries

Notify
Committee
provisions and
indicative dates

Member and
donor inform
TACB
arrangements

Inform on
progress in
TACB and **notify**
definitive dates

1 year

2.5 years

5.5 years

Entry into force

2 years

4 years

Notify
Committee
Category C
provisions

Notify
information on
TACB required
in order to
implement

Inform TACB
arrangements
and **indicative**
dates

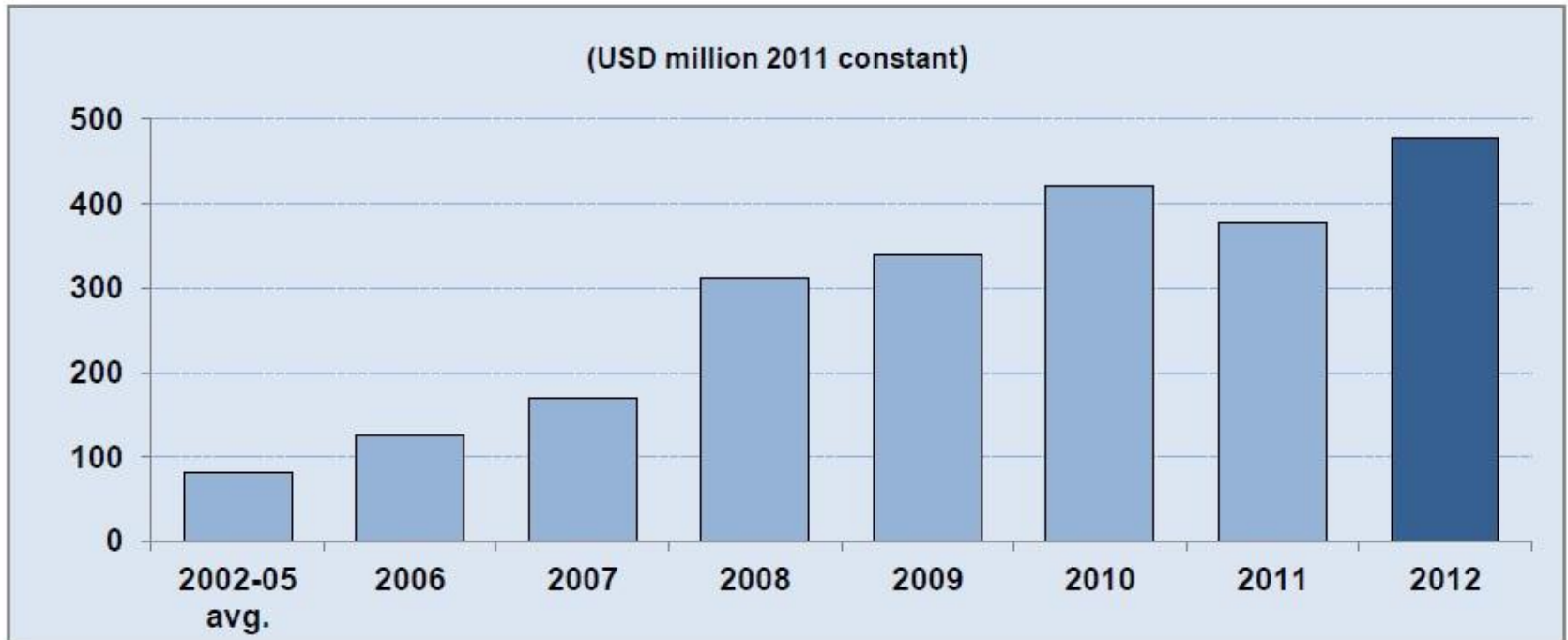
Inform on
progress in
TACB and notify
definitive dates

LDCs

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

Implications for LLDCs

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

	Cost to <u>export</u> (US\$ per container)	Cost to <u>import</u> (US\$ per container)	Time to <u>export</u> (days)	Time to <u>import</u> (days)
Landlocked LDCs	2977	3720	42	48
Coastal LDCs	1244	1508	27	30
All LDCs	1860	2294	32	37
Non-LDC LLDCs	2015	2421	26	31
All LLDCs	2630	3252	37	42

Based on World Bank data