



SECO's Engagement in Trade Facilitation

An evolving commitment to facilitate cross-border trade

November 2020



Overview

Talking about trade facilitation, we are mostly referring to a specific set of measures that streamline and simplify the technical and legal procedures for products entering or leaving a country to be traded internationally. As such, trade facilitation in the narrow sense (excl. tariffs) covers the full spectrum of border procedures, from the electronic exchange of data about a shipment, to the simplification and harmonization of border procedures and trade documents, to the possibility to appeal administrative decisions by border agencies. In global value chains (GVC) where goods often cross borders many times as both intermediate and final products, trade facilitation thus helps to lower overall transactional trade costs.

Whether exporting or importing goods, there is a broad consensus that trade facilitation benefits all countries by allowing better access for businesses to production inputs from abroad and by supporting better participation in GVCs. In countries where inputs can be imported and exported in a quick and reliable manner are also more attractive locations for foreign firms seeking to invest and offer consumers lower prices, higher quality products, and in general a greater array of goods. Addressing unnecessary costs related to trade procedures is essential for firms to take full advantage of new market openings. This is especially true for micro-, small- and medium-sized enterprises (MSMEs), for which the costs of trading can be disproportionately large.

A new momentum: WTO Trade Facilitation Agreement

Trade facilitation in form of reduced trade transaction costs promises improved business competitiveness, accelerated growth, a more streamlined and service-orientated public administration, as well as more efficient revenue collection and higher security as international trade operations become simpler and more transparent and predictable. In contrast, the absence of published rules and procedures creates legal uncertainty, provides unnecessary opportunity for the solicitation of bribes, increases commercial risks, and inhibits any trader's appetite for trade across borders.

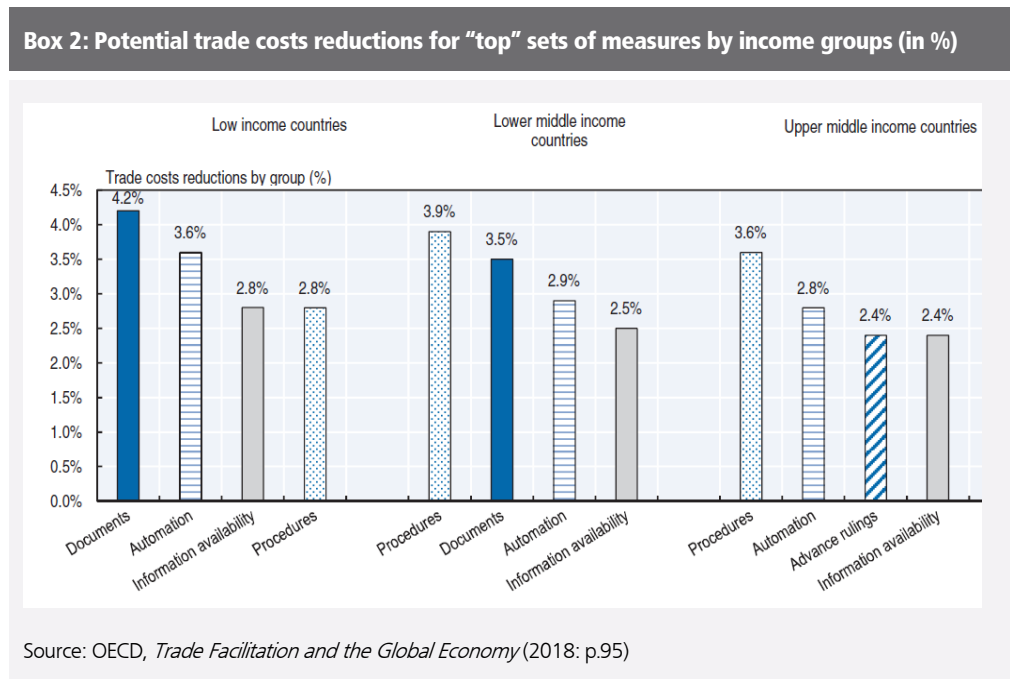
Over the last two decades, the topic of trade facilitation has established itself as a central theme within mainstream policy. In light of falling tariff levels, thanks to an increased number of preferential trade agreements, a shift in trade policy towards non-tariff areas such as complex border procedures and a prevalence of formalities and documents has emerged. Starting at the first WTO Ministerial Conference in 1996 in Singapore, where a mixed group of WTO members put the issue for an agreement to facilitate cross-border trade on the agenda, it still took another 17 years until negotiations were concluded successfully at the 2013 WTO Bali Ministerial conference. The new WTO Trade Facilitation Agreement (TFA), which sets multilateral rules that seek to address specific procedural hurdles in order to facilitate cross-border trade procedures, then finally entered into force on 22 February 2017.

Box 1: WTO Trade Facilitation Agreement

The core of the TFA is a package of substantial trade facilitation provisions covering measures for expediting the movement, release and clearance of goods, including goods in transit. The Agreement also covers provisions on transparency, administrative simplification, use of information technology for data processing and exchange, as well as provisions on co-operation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It establishes a permanent committee on trade facilitation at the WTO, and requires Members to have a national committee to facilitate domestic coordination and implementation of the Agreement.

Uniquely among WTO agreements, the TFA directly links implementation of the Agreement to the capacities of developing and least developed countries (Special and Differential Treatment). While all developed country WTO Members have to implement the TFA from the date of its entry into force, developing and least-developed countries can determine when they will implement individual provisions of the TFA and are required to implement some provisions only upon receipt of technical assistance and support for capacity building. They also self-determine which of those provisions can only be implemented after having received the necessary technical assistance and capacity building support. The TFA is thus being implemented gradually, with different parts of the Agreement implemented earlier than others by countries around the world.

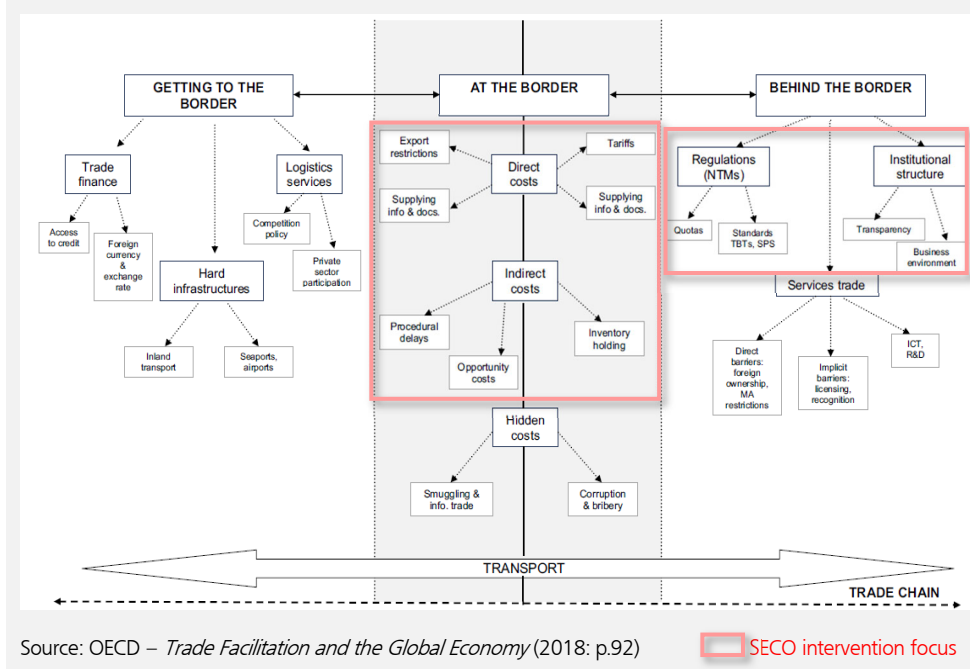
The WTO TFA creates a significant opportunity to improve the speed and efficiency of border procedures, thereby reducing trade costs and enhancing participation in GVCs that characterise international trade today. According to the OECD, the implementation of the TFA is expected to reduce worldwide trade costs by between 10 and 18 percent, with the largest gains accruing to countries in the lower income group, which represents SECO's main focus in economic development and cooperation. Countries that implement the TFA in full are expected to reduce their trade costs by between 1.4 and 3.9 percentage points more than those that do only the minimum that the TFA requires. Improvements in the area of formalities, the simplification of trade documents, the streamlining of border procedures, and the automation of the border process appear to have the greatest impact on trade costs, generating cost savings of 2.8 to 4.2 percent depending on the level of development. Other policy areas that have an important potential for cost reductions are the availability of trade-related information and the possibility to request advanced rulings (legally binding information on how to classify a good in the HS coding system).



SECO's Approach in Trade Facilitation

With its longstanding tradition in export-oriented value chain development as well as in enhancing market access and thus its inherent interconnection with cross-border trade, SECO has always been engaged in supporting developing countries through technical assistance in implementing international standards and best practices that facilitate cross-border trade. By addressing border obstacles, export-oriented markets and value chains become more efficient while overall trade transaction costs are reduced resulting in enhanced competitiveness for a country. Trade transaction costs are manifold and can have many causes. For the sake of complexity reduction, they can be schematically summarized in three parts as illustrated in Box 3 below.

Box 3: Trade cost diagnostics



Although SECO has been investing in technical assistance and capacity building in the area of trade facilitation for a long time, the WTO TFA is a clear game changer as there is now an official mandate from the international community to support developing countries in implementing the TFA. The TFA is unique in the sense that it allows developing countries to set their own timetables for implementing the TFA depending on their capacities to do so. At the same time, donor members agreed to facilitate the provision of assistance and support for capacity building to developing countries on mutually agreed terms either bilaterally or through the appropriate international organizations. Given the special needs of LDCs in particular, targeted assistance and support should be provided to them so as to help them build sustainable capacity to implement their commitments in accordance with the TFA.

With the entry into force of the TFA in 2017 and its associated commitments, SECO gradually broadened its intervention focus especially **“at the border”** by tacking direct but also indirect costs of import and export procedures whereby the greatest impact is expected in trade cost reduction (see Box 2). While concentrating on the core elements of trade facilitation, SECO’s current intervention focus is on improving the functioning of trade-related public procedures and regulatory requirements at the border, falling mainly within the responsibility of Customs administrations and other border-related public entities. In this sense, the objective is to *reduce time and transactional trade costs* of cross-border trade by implementing trader-friendly, efficient and transparent border procedures. This includes, inter alia, the harmonization and simplification of trade documents, the automation of trade and customs procedures (by the use of digital tools and instruments), the enhancement of technical capacities of border agencies, and the strict involvement of the private sector, particularly SMEs, so that they better comply with the necessary requirements. Together with the World Customs Organization, SECO developed The Global Trade facilitation Program aiming at fostering and facilitating international trade in beneficiary countries, in particular Customs Administrations, through the implementation and application of international standards and best practices for the importation, exportation and transit of commercial goods.

At the same time, global trade is progressively embedded within value chains and thus increasingly governed by quality and standard requirements - **behind the border**. Despite the opportunities induced by trade liberalisation and the efforts made by developing countries to strengthen integration into the world trade system, exporters and importers from developing and middle-income countries have not been able to substantially increase their access to global markets. A major reason is that the reduction of tariff measures to facilitate global trade coincided with an *increased use of non-tariff measures* in the forms of TBT and SPS measures, standards, market requirements, and conformity assessment procedures, amongst others to ensure consumer safety.

To maximize the benefits of its interventions, SECO follows a complementary approach when facilitating cross-border trade by a) supporting the development of sustainable and targeted Quality Infrastructure Systems such as conformity assessment services, metrology, or accreditation, in SECO beneficiary countries in order to enhance the capacity to comply with the required quality and standards in target markets and b) by fostering efficient and effective border procedures for importing, exporting, and transit of commercial goods. Both intervention areas are expected to have the biggest impact on transactional trade cost reduction and to support market access when facilitating cross-border trade.

Box 4: SECO trade facilitation program examples

"At the border" - Trade Facilitation Support Program (TFSP)

The Trade Facilitation Support Program was established to help developing but predominantly *least developed countries* reform their trade facilitation practices in a manner consistent with the measures contained in the WTO TFA. Focused on supporting the full and effective implementation of the TFA and related trade facilitation reforms, the TFSP is designed to provide practical and demand-driven assistance to countries in order for them to benefit from increased trade and foreign investment, new job creation, and increased private sector trade competitiveness. The TFSP assists participants to accurately identify existing constraints and bottlenecks, design and plan for implementation of reforms and increase predictability, transparency and harmonization of systems and procedures in line with international standards and global good practice approaches covering import, export and transit activities.

The Program is comprised of two main components: i) the provision of technical assistance, assisting developing countries to reform their trade facilitation laws, procedures, processes, systems and consultative mechanisms within the context of the provisions of the WTO TFA; and ii) facilitating knowledge sharing, peer to peer learning and the measurement of progress and results.

Implementing Partner: World Bank Group (IFC/IBRD)

"Behind the border" - Global Quality and Standards Program (GQSP)

The overall objective of the Program is to strengthen the quality and standards compliance capacity in beneficiary countries to facilitate market access for SMEs by working in emblematic value chains per country. The Program pursues three main goals, thus responding to the key compliance challenges identified for developing countries in the area of National Quality Infrastructure (NQI): a) Strengthen the NQI system to offer quality services demanded by SMEs at market price; b) Support SMEs to use available quality services to produce goods and services in line with international market requirements; and c) Support SMEs and institutions to embed the need for quality at individual, institutional and policy level to ensure sustainability of the quality system.

Implementing Partner: United Nations Industrial Development Organization, UNIDO

A complementary approach that involves technical capacity building **at** and **behind the border** maximizes the benefits of trade facilitation measures. However, to do so, this requires economic operators to have access to the necessary information, which is often not the case. Access to trade-related information is crucial to tackle information asymmetries, in particular for SMEs, which often lack of resources and skills to acquire and process trade-related information, placing them at a disadvantage and preventing them from exploring further trade opportunities. To counteract this situation, SECO is committed to also support (multilateral) initiatives aiming at improving the quality and transparency of trade-related information, strengthen public-private dialogue, and transform data into intelligence, in order to gain maximum impact through its pursued trade facilitation approach.

Box 5: The Global Trade Helpdesk: The power of digitization

The Global Trade Helpdesk (GTH) is a multi-agency initiative jointly led by ITC, UNCTAD, and the WTO that aims to simplify market research for companies, and in particular SMEs, by integrating trade and business information into a single online portal. The initiative builds on existing services of these as well as partner organizations to provide an integrated solution that puts a wealth of global trade information at the fingertips of entrepreneurs around the world. Using the GTH, firms can compare demand for their products across markets, explore tariffs and other market access conditions like non-tariff barriers such as SPS and TBT measures as well as complex customs procedures, access details about buyers, navigate domestic export processes, and find potential business partners.

Implementing Partner: International Trade Center, ITC

Further information and contact details

SECO-WCO Global Trade Facilitation Program: http://www.wcoomd.org/en/topics/capacity-building/activities-and-programmes/cooperation-programmes/seco_wco-gtftp.aspx
http://www.wcoomd.org/en/topics/capacity-building/activities-and-programmes/cooperation-programmes/seco_wco-gtftp.aspx

SECO-WBG Trade facilitation Support Program: <https://www.worldbank.org/en/programs/trade-facilitation-support-program#1>

SECO-UNIDO Global Quality and Standards Program:
[https://open.unido.org/api/documents/11103515/download/Brochure%20-%20Global%20Quality%20and%20Standards%20Programme%20\(GQSP\).pdf](https://open.unido.org/api/documents/11103515/download/Brochure%20-%20Global%20Quality%20and%20Standards%20Programme%20(GQSP).pdf)

SECO-ITC Global Trade Helpdesk: <https://globaltradehelpdesk.org/en>

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