Trade Facilitation: WTO Negotiations and Beyond

by

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Overview of the day

- Quick intro to trade facilitation
- WTO TF Negotiations and related ARTNeT Research (Part I)
- Beyond WTO TF negotiation: Need for a pragmatic approach to TF
- Guest speaker: James Goh, UPS and Chair of WCO private sector advisory committee [a private sector perspective]

*Lunch break*

- Beyond WTO TF Negotiations – a regional perspective (Part 2)
  - How is the region doing in TF
  - (Re-)emerging issues [based on ARTNeT research]
- WTO Secretariat: Nora Neufeld [State of Play of WTO Negotiations]
Trade Facilitation?
What is Trade Facilitation?

- No agreed upon definition

- “The plumbing of international trade” (Staples, 1998)

- “Any measure, or set of measures, that aims to increase the cost-effectiveness of international trade transactions”. [http://www.gfptt.org/Entities/TopicProfile.aspx](http://www.gfptt.org/Entities/TopicProfile.aspx)

- “the simplification and harmonization of international trade procedures.”, where trade procedures are the “activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade.” (based on WTO documents)
Trade facilitation essential to trade competitiveness

– Lower transaction costs
  • Lower costs related to preparation, submission and approval of documents; lower cost of clearance and transportation of goods

– Reduce average transaction time
  • Less waiting time at borders, faster clearance process and transportation → reduce need for financing, risk of spoilage...

– Increased timeliness
  • Because procedures and processes are rationalized and transparent, facilitation of just-in-time delivery

– Compliance with security initiatives in major export markets
  • E.g., need for detailed shipment of information prior to arrival
Economic Benefits

• Trade facilitation costs = 1 to 15% of landed cost of imported good
  – even if only 1%, OECD estimates total gains from TF improvements to world economy of US$40 billion
• A 1% reduction in the fees charged for maritime and air transport services \(\rightarrow\) increase Asian GDP some US$3.3 billion. (UNCTAD, 2001)
• 1 day less in delivery times = 0.5% of landed cost of goods (Hummels, 2001)
• Each additional day of delay prior to shipment reduces trade by more than 1% (Djankov et al., 2006)
Effects of TF on GDP (narrow WTO definition)

Source: Walkenhorst, OECD
Part 1 – WTO Trade Facilitation Negotiations and related ARTNeT Research
Introduction

- **Singapore Ministerial Declaration 1996**
  - Article 21: “We further agree to direct the Council for Trade in Goods to undertake exploratory and analytical work, drawing on the work of other relevant international organizations, on the simplification of trade procedures in order to assess the scope for WTO rules in this area.”
Main problems identified (for traders)

- Excessive documentation requirements
- Burdensome border-crossing procedures
- Lack of automation and scarce use of IT
- Lacking transparency and predictability
- Lack of cooperation and coordination
- Corruption
- Lacking human and financial resources and infrastructure
WTO TF Negotiations

• ...8 years after the Singapore Ministerial Declaration, WTO members agreed to start negotiating on trade facilitation

• Part of the single undertaking of the Doha Round

• Negotiating Group on Trade Facilitation

• Proposal-based negotiations
  • More than 150 proposals/contribution papers/notes; no established format

• Modalities of negotiations
  – July Package (WT/L/579) and its Annex D
July Package, Annex D (1 Aug. 04)

- TF negotiations “shall aim to clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 with a view to further expediting the movement, release and clearance of goods…”
- TF negotiations also aim at “enhancing technical assistance and support for capacity building in this area,”
- and at developing “provisions for effective cooperation between customs or any other appropriate authorities on trade facilitation and customs compliance issues”.
- The results “shall take fully into account the principle of special and differential treatment for developing and least-developed countries”, which would not be obliged “to undertake investments in infrastructure projects beyond their means”.

Asia-Pacific Research and Training Network on Trade – www.artnetontrade.org
GATT Articles V, VIII and X

- Art. V  Freedom of Transit
- Art. VIII  Fees & Formalities connected with Importation & Exportation
- Art. X  Publication and Administration of Trade Regulations

— See Annex I for details —
Issues with current GATT Articles

.browser\ud83e\udd23 Lack of clarity and precision

browser\ud83e\udd26 Difficult (often impossible?) to enforce

.browser\ud83e\udd23 Not effective in ensuring/improving transparency and predictability

.browser\ud83e\uDD23 Absence of requirements for cooperation among various stakeholders
Negotiating Process

- Very positive engagement by all WTO Members, clear sense of common purpose

- Broad participation, full involvement of low-income developing countries and LDCs, joint sponsoring of proposals with OECD countries

- Bottom up negotiating process – no appetite for small group negotiations or a "Chair's text"

- Iterative process of refining "third generation" proposals to draft the new Trade Facilitation Agreement. Time consuming, but keeping all Members engaged and is producing steady progress
Trade Facilitation Proposals submitted to NGTF

- Proposals for new GATT disciplines on about 50 issues.
  - See WTO Sec. latest compilation \( \rightarrow \) TN/TF/W/43/Rev.18

- **Transparency provisions - Article X GATT:**
  - better and easier access to information for traders
  - use of modern technology (Internet publication)
  - enquiry points
  - prior publication and consultation
  - advance rulings
  - right of appeal for traders.
Trade Facilitation Proposals submitted to NGTF

- **Fees and formalities, Article VIII GATT:**
  - greater predictability and reliability of procedures
  - cost-based fees and charges
  - simplified formalities and documentation
  - use of international standards
  - single window for traders
  - elimination of pre-shipment inspection, mandatory customs brokers, consularization
  - expedited release and clearance of goods
  - risk assessment techniques and authorized traders
  - post-clearance audits
Trade Facilitation Proposals submitted to NGTF

- *Transit, Article V GATT:*
  - strengthened non-discrimination (MFN and national treatment) provisions;
  - predictable, reduced and simplified fees and charges;
  - more transparent transit formalities and documentation for traders;
  - use of international standards;
  - promotion of regional transit arrangements;
  - limitation of inspections and controls (bonded transport);
  - quota-free transit.
S&D Treatment
TA and CB

- Enhanced S&D provisions a particular feature of the Trade Facilitation negotiations.
- Emphasis on helping developing countries and LDCs to implement trade facilitation reforms. Common interest in reducing trade transaction costs for all WTO Members.
- Staged implementation over long periods where necessary
  - National needs assessment to determine assistance needs and costs
  - Scheduling of commitments
  - Linking of commitments to technical assistance and support for capacity building
  - Multilateral process of monitoring progress in WTO

Links to "Aid for Trade"
ARTNeT Trade Facilitation Research Effort

• 2004: Many developing countries reluctant to a WTO trade facilitation agreement, mainly because of implementation cost & capacity concerns
  – Most TF research has focused on macro-level benefits and analysis

• → 2005: Launch of ARTNeT Study on the Need for and Cost of implementation of selected trade facilitation measures relevant to GATT articles V, VIII and X
ARTNeT Trade Facilitation Research Effort

- OECD conducted “implementation cost” surveys in late 2004, with additional studies planned in Cambodia, Thailand and the Philippines in 2005
- ARTNeT decided to conduct country case studies in:
  - Bangladesh (CPD, Bangladesh)
  - China (CAITEC, China)
  - India (RIS, India)
  - Indonesia (CSIS, Indonesia)
  - Nepal (IPRAD, Nepal)
Research Steps

- **Assessment** of current level of implementation of trade facilitation measures related to article V, VIII, and X
  - Based on a short version of WCO Self-Assessment checklists (developed by the WTO)
- **Need and priorities** of the private sector
  - Based on a survey/interview instrument developed by the ARTNeT team
- **Cost** (for the government) of implementing selected measures
  - Based on the OECD survey and other instruments
Findings from case studies

• Many of the TF measures discussed at the WTO have been PARTIALLY implemented (or there are plans for their introduction)
  – Regional initiatives have been a driver
Findings from case studies

- Private sector perspective:
  - Customs regulations and procedures result in significant costs to business (Bangladesh: 65% agree)
  - Major difficulties faced are attributed to domestic regulations/procedures (up to 90% in some countries)
  - Improvements in export and import procedures/facilitation are reported in all countries, but there is room for improvement
# Table III.1 - Perceived level of implementation of GATT Articles V, VIII and X by the private sector in selected countries

(7: Strongly agree; 6: Agree; 5: Slightly agree ... 3: Slightly disagree; 2: Disagree; 1: Strongly disagree)

<table>
<thead>
<tr>
<th>Art. V, VIII &amp; X (Transparency and Fees &amp; Formalities)</th>
<th>Overall Average</th>
<th>Bangladesh</th>
<th>China</th>
<th>India</th>
<th>Indonesia</th>
<th>Nepal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevant trade and customs procedures and regulations are publicly available and easily accessible</td>
<td>4.8</td>
<td>3.4</td>
<td>5.1</td>
<td>5.4</td>
<td>4.9</td>
<td>5.3</td>
</tr>
<tr>
<td>Computerization and automation of customs and trade procedures have noticeably reduced average time of clearance</td>
<td>4.7</td>
<td>4.2</td>
<td>5.8</td>
<td>5.0</td>
<td>5.6</td>
<td>3.0</td>
</tr>
<tr>
<td>Penalties and fines for minor breaches of customs regulation (e.g., due to typing mistakes) are small and reasonable</td>
<td>4.4</td>
<td>3.3</td>
<td>5.6</td>
<td>4.3</td>
<td>4.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Information about changes in regulations and procedures are made available promptly and conveniently to the public</td>
<td>4.3</td>
<td>3.1</td>
<td>4.5</td>
<td>4.9</td>
<td>3.6</td>
<td>5.3</td>
</tr>
<tr>
<td>It is easy to submit required trade documentation to trade/customs authorities for approval</td>
<td>4.3</td>
<td>3.1</td>
<td>3.9</td>
<td>4.3</td>
<td>5.4</td>
<td>5.0</td>
</tr>
<tr>
<td>A formal and effective private sector consultation mechanism exists, which allows traders to comment on proposed changes</td>
<td>4.0</td>
<td>3.7</td>
<td>4.6</td>
<td>4.0</td>
<td>3.4</td>
<td>4.3</td>
</tr>
<tr>
<td>to regulations and procedures before they are issued and implemented.</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>On average, fees and charges levied on export and import are reasonable (i.e., are limited to the cost of services rendered</td>
<td>4.0</td>
<td>3.4</td>
<td>4.3</td>
<td>4.0</td>
<td>3.3</td>
<td>5.0</td>
</tr>
<tr>
<td>by the authorities)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>An independent system to appeal trade and/or customs authorities’ decisions is available and operates effectively</td>
<td>3.9</td>
<td><strong>2.6</strong></td>
<td><strong>3.6</strong></td>
<td>4.4</td>
<td>4.2</td>
<td>4.6</td>
</tr>
<tr>
<td>An effective advance ruling system is in place, which allows the importer, in advance of trade, to obtain binding rules in</td>
<td>3.8</td>
<td>4.1</td>
<td>4.4</td>
<td>4.0</td>
<td>5.1</td>
<td>1.3</td>
</tr>
<tr>
<td>certain specific areas (e.g., tariff classification, customs valuation, laws, regulations and judicial decisions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>are applied in a uniform, impartial, and reasonable manner</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Documentation requirements for import/export are NOT excessive and time consuming</td>
<td>3.3</td>
<td>1.9</td>
<td>2.9</td>
<td>3.3</td>
<td>4.4</td>
<td>4.0</td>
</tr>
<tr>
<td>Irregular and arbitrary payments are NOT often required to expedite release of goods from customs</td>
<td>3.2</td>
<td>1.8</td>
<td>5.9</td>
<td>3.6</td>
<td>3.2</td>
<td>1.4</td>
</tr>
</tbody>
</table>
Findings from case studies

• Needs and priorities of private sector:
  – TF measures that often come at the top of the list:
    • Timely and comprehensive publication and dissemination of trade rules and regulations
    • Measures to enhance coordination among government agencies
    • Measures to improve the integrity of government officials
    • Computerization and automation of trade procedures
  – Some variation across countries
Findings from case studies

Table III.2 - Private Sector Priority Ranking of Selected Trade Facilitation Measures

<table>
<thead>
<tr>
<th>Trade Facilitation Measures</th>
<th>Overall Ranking</th>
<th>Bangladesh Ranking</th>
<th>China Ranking</th>
<th>India Ranking</th>
<th>Indonesia Ranking</th>
<th>Nepal Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elimination of bribery and other corrupt practices of officials involved in the clearance and release of imported goods</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Improvement of coordination between relevant agencies, particularly on document requirement, e.g., through the establishment of a single window for one-time submission and collection of all trade documents</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Timely and comprehensive publication and dissemination of trade rules and regulations (e.g., through the Internet)</td>
<td>2</td>
<td>6</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Computerization and automation of trade procedures, e.g., online submission and approval of customs declarations, cargo manifests, including electronic payment of fees and customs duties</td>
<td>4</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Harmonization and standardization of documentation requirements based on international standards</td>
<td>5</td>
<td>4</td>
<td>8</td>
<td>8</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Reduction and simplification of the documentation requirements for import and export procedures</td>
<td>6</td>
<td>1</td>
<td>7</td>
<td>3</td>
<td>6</td>
<td></td>
</tr>
</tbody>
</table>
Findings from case studies

Table III.3 – Most Problematic Areas in Conducting Trade

<table>
<thead>
<tr>
<th>Area</th>
<th>Overall Ranking</th>
<th>Bangladesh Ranking</th>
<th>China Ranking</th>
<th>India Ranking</th>
<th>Indonesia Ranking</th>
<th>Nepal Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs valuation</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Inspection and release of goods</td>
<td>2</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Tariff classification</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Technical or sanitary requirements</td>
<td>4</td>
<td>7</td>
<td>1</td>
<td>7</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Payment of fees and penalties</td>
<td>5</td>
<td>6</td>
<td>4</td>
<td>6</td>
<td>1</td>
<td>n.a.</td>
</tr>
<tr>
<td>Obtaining an import license</td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>5</td>
<td>6</td>
<td>n.a.</td>
</tr>
<tr>
<td>Submission of documents for clearance</td>
<td>7</td>
<td>4</td>
<td>6</td>
<td>4</td>
<td>7</td>
<td>n.a.</td>
</tr>
<tr>
<td>Identification of origin of the goods</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>n.a.</td>
</tr>
</tbody>
</table>
Findings from case studies: Implementation Costs

• Costs associated with off-the-job training of officials and other stakeholders and those associated with ICT (hardware and software) are most problematic.

• Hard to dissociate some of the basic infrastructure costs from trade facilitation as some key measures do require such investments (e.g., risk management; rapid clearance).

• Studies mostly unsuccessful in costing specific TF measures.
Experts Survey on implementation cost of selected trade facilitation measures

- Main objective: to provide unbiased qualitative estimates of the costs and time required for implementing selected TF measures being discussed at the WTO

**EXAMPLE**
TF measure: Alignment of trade documents according to the UN Layout Key for trade documents

<table>
<thead>
<tr>
<th>VS</th>
<th>S</th>
<th>S</th>
<th>S</th>
<th>M</th>
<th>S</th>
<th>S</th>
<th>S</th>
<th>2</th>
</tr>
</thead>
</table>

*Comments:*
*Translation into English will likely be the most costly aspect of this measure for many countries, and may require creation of positions for a small team of translators beyond the initial startup phase. Development and hosting of the web site could be done by WTO or one of the relevant international organizations.*
Experts’ Qualitative Assessment of the Relative Cost, Benefits and Time Needed for Implementing Selected Trade Facilitation Measures
ARTNeT TF Research Effort: Some implications for the WTO Negotiations

If priorities are based on the perceived need of the private sector and the expected cost of implementation for the Government, basic package of TF measures might include:

- Timely and consistent publication of trade rules and regulations (online)
- Simplification/standardization/harmonization of trade documents
- Independent and effective national systems of appeal
ARTNeT TF Research Effort: Some implications for the WTO Negotiations

- S&D: only needed to shield countries against dispute settlement until they can implement TFMs
  - Country needs vary across TFMs
    - need more time flexibility for TFMs with high political costs; grants for the TFMs requiring infrastructure investment

- TF is mostly about improving internal systems
- Importance of TF related issues not covered by the negotiations
Current proposals on the implementation mechanism of the WTO TF Agreement

• Three categories of TF measures
  – Cat. A: to be implemented on signature
  – Cat. B: to be implemented after a delay
  – Cat. C: to be implemented after capacity to do so has been acquired (through Aid for Trade in particular)

• Each country schedules the various TF measures covered by the agreement in the three categories depending on their own self-assessment...

• Creation of a TF Committee to manage implementation and the agreement
WTO TF TA Needs Assessment (since 2008)

- Identify TA/CB needs/priorities for the implementation of proposed measures
  - Better determination of national negotiation position for each proposed measure and TACB
  - Be better prepared for implementation
  - Develop capacity to continue assessment of needs and priorities

(self-assessment guide [may 09] recommended reading as provide definitions and “basics standards” for the main trade facilitation measures)
Part 2 – Beyond WTO Trade Facilitation Negotiation
Trade facilitation beyond the on-going scope of WTO negotiations

- No agreed upon definition of TF
- “The plumbing of international trade” (Staples, 1998)
- “the simplification and harmonization of international trade procedures.”, where trade procedures are the “activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade.” (based on WTO documents)

- “Any measure, or set of measures, that aims to increase the cost-effectiveness of international trade transactions”.

http://www.gfptt.org/Entities/TopicProfile.aspx
INTERNATIONAL TRADE TRANSACTION PROCESS

BUY
- Prepare For Export
- Export
- Transport
- Pay
- Prepare For Import
- Import

IN VOLVES

Commercial Procedures
- Establish Contract
- Order Goods
- Advise On Delivery
- Request Payment

Transport Procedures
- Establish Transport Contract
- Collect, Transport and Deliver Goods
- Provide Waybills, Goods Receipts Status reports

Regulatory Procedures
- Obtain Import/Export Licences etc
- Provide Customs Declarations
- Provide Cargo Declaration
- Apply Trade Security Procedures
- Clear Goods for Export/Import

Financial Procedures
- Credit Rating
- Provide Insurance
- Provide Credit
- Execute Payment
- Issue Statements
About 24 documents (~700 data elements) and 15 parties involved in exporting Rice from Thailand*

1. Purchase Order
2. Proforma Invoice
3. Commercial Invoice
4. Letter of Credit
5. Packing List
6. Application for the Rice Export Permit (A. 3)
7. Rice Export Permit (A. 4)
8. Application for Certificate of Standards of Product (MS. 13/1)
9. Certificate of Product
10. Certificate of Standards of Products (MS. 24)
11. Application for Phyto-sanitary Certificate (PQ. 9)
12. Booking Request Form – Border Crossing
13. Booking Confirmation – Border Crossing
14. Container Loading List
15. Outward Container List
16. TKT 308.2
17. Equipment Interchange Report (EIR)
18. Export Declaration
19. Manifest
20. Shipping Particular
21. Bill of Lading
22. Health Certificate
23. Certificate of Origin
24. Phyto-sanitary Certificate

*Data collected by Institute for IT Innovation, Kasetsart University (2007)
Time & Procedures required for exporting Rice*

1. Conclude sales contract and trade terms
2. Have product sampled and technically examined
3. Arrange transport
4. Prepare export permit
5. Apply for cargo insurance
6. Prepare and submit customs declaration
7. Stuff container and transfer it to port of departure
8. Clear goods through customs
9. Handle container at terminal and stow it on vessel
10. Prepare documents required by importer as listed in L/C
11. Claim payment of goods

Total = 22 Days (by ship)

*Data collected by Institute for IT Innovation, Kasetsart University (2007)
Figure V. The three flows of international trade

Country of the buyer
- Shipper
- Buyer
- Banks
- Customs
- Other government agencies

Goods flow

Country of the seller
- Shipper
- Buyer
- Banks
- Customs
- Other government agencies

Trade documents flow

Financial flow

Trade Gains from TF (broad definition)

Figure 3. Trade Gains from Capacity Building in Trade Facilitation

Trade Facilitation? Ask traders and service providers what their problems are...

Figure II. Most problematic areas in conducting trade in selected developing countries in Asia and the Pacific*

- Identification of origin of the goods
- Submission of documents for clearance
- Obtaining an import licence
- Payment of fees and penalties
- Technical or sanitary requirements
- Tariff classification
- Inspection and release of goods
- Customs valuation

* Based on exploratory private sector surveys in Bangladesh, China, Fiji, India, Indonesia and Nepal conducted in 2005.

→ STEP 1 of Trade Facilitation: Establish a public-private national trade facilitation committee
How well are countries in the region doing?

(data sources for benchmarking and monitoring progress)
Doing Business Dataset

- [www.doingbusiness.org](http://www.doingbusiness.org)
  - Cross-country performance ranking in 10 business regulatory areas
  - Trading-Across-Border ranking
    - Time (days) for import/export
    - Cost of import/export
    - Number of documents for import/export
  - Ok for cross-country comparative analysis
    - Now very commonly used, but...
    - Stringent assumption on type of shipment to ensure comparability
    - Quality of TF data questioned by some experts
Documents and time for export/import

*Landlocked countries (Afghanistan, Armenia, Azerbaijan, Bhutan, Kazakhstan, Kyrgyz Republic, Lao PDR, Mongolia, Nepal, Tajikistan and Uzbekistan) are excluded from subregional averages.

Source: Calculated based on data from Doing Business 2009, World Bank
Time for Export

Source: Calculated based on data from Doing Business 2009, World Bank
Logistics Performance Index (LPI) Dataset


LPI indicators

- Efficiency of clearance process by Customs and other border control agencies;
- Quality of Transport and IT infrastructure for logistics;
- Ease and affordability of arranging shipments;
- Competence in the local logistics industry (e.g., transport operators, customs brokers);
- Ability to track and trace shipments;
- Domestic logistics costs (e.g., local transportation, terminal handling, warehousing);
- Timeliness of shipments in reaching destination.

Also detailed perception survey data and indicators on domestic trade facilitation issues.
Timeliness
(likelihood of on-schedule delivery)

Notes: *Developed ESCAP consists of Australia, Japan and New Zealand. **East and Northeast Asia average does not include Hong Kong, China. ***Southeast Asia average does not include Singapore. Source: Calculated based on data from the World Bank Logistic Performance Index (2007)
## Logistics Performance Index

<table>
<thead>
<tr>
<th></th>
<th>Vietnam</th>
<th>East Asia &amp; Pacific</th>
<th>difference</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>score</td>
<td>score</td>
<td></td>
</tr>
<tr>
<td>Overall LPI</td>
<td>2.89</td>
<td>2.58</td>
<td>0.31</td>
</tr>
<tr>
<td>rank</td>
<td>53</td>
<td></td>
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<tr>
<td>conf</td>
<td>0.18</td>
<td></td>
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<tr>
<td>Customs</td>
<td>2.89</td>
<td>2.41</td>
<td>0.48</td>
</tr>
<tr>
<td>rank</td>
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<td>conf</td>
<td>0.37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>2.50</td>
<td>2.37</td>
<td>0.13</td>
</tr>
<tr>
<td>rank</td>
<td>60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>conf</td>
<td>0.41</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International shipments</td>
<td>3</td>
<td>2.64</td>
<td>0.36</td>
</tr>
<tr>
<td>rank</td>
<td>47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>conf</td>
<td>0.39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Logistics competence</td>
<td>2.80</td>
<td>2.54</td>
<td>0.26</td>
</tr>
<tr>
<td>rank</td>
<td>56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>conf</td>
<td>0.46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tracking &amp; tracing</td>
<td>2.90</td>
<td>2.53</td>
<td>0.37</td>
</tr>
<tr>
<td>rank</td>
<td>53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>conf</td>
<td>0.43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic logistics costs</td>
<td>3.30</td>
<td>3.04</td>
<td>0.26</td>
</tr>
<tr>
<td>rank</td>
<td>17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>conf</td>
<td>0.78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timeliness</td>
<td>3.22</td>
<td>3.01</td>
<td>0.22</td>
</tr>
<tr>
<td>rank</td>
<td>65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>conf</td>
<td>0.60</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The dashed line is showing the confidence interval.
LPI (domestic – environment & institutions)

Country: Vietnam

### Domestic LPI: country scorecard

Click + to display different values for your selected countries, click - to hide the details.

#### Logistics operational environment

Based on your experience in international logistics, please select the options that best describe the logistics operational environment in your country of work.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percent of respondents answering high/very high</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port/Airport charges are</td>
<td>7.69%</td>
</tr>
<tr>
<td>Overall, logistics costs (e.g. port charges, domestic transport, agent fees), are</td>
<td>23.08%</td>
</tr>
<tr>
<td>Warehousing service charges are</td>
<td>23.08%</td>
</tr>
<tr>
<td>Rail transport rates are</td>
<td>7.69%</td>
</tr>
<tr>
<td>Less than full truck load services rates are</td>
<td>30.77%</td>
</tr>
<tr>
<td>Full truck load rates are</td>
<td>23.08%</td>
</tr>
</tbody>
</table>

#### Quality of infrastructure

- Effectiveness and efficiency of processes
- Level of competence of professions
- Evolution of factors over the past 3 years

#### Incidence on your activity of the following constraints in your country of work:
LPI (Domestic – performance)

<table>
<thead>
<tr>
<th>Vietnam</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of physical inspection (%)</td>
<td>0.14</td>
</tr>
<tr>
<td>Customs clearance (days)</td>
<td>1.45</td>
</tr>
<tr>
<td>Lead time export, median case (days)</td>
<td>2.77</td>
</tr>
<tr>
<td>Lead time import, best case (days)</td>
<td>2.63</td>
</tr>
<tr>
<td>Lead time import, median case (days)</td>
<td>3.95</td>
</tr>
<tr>
<td>Number of border agencies exports</td>
<td>4.54</td>
</tr>
<tr>
<td>Number of border agencies imports</td>
<td>4</td>
</tr>
<tr>
<td>Possibility of a review procedure (%)</td>
<td>0.57</td>
</tr>
<tr>
<td>Typical charge for a 40-foot export container or a semi-trailer (US$)</td>
<td>193.65</td>
</tr>
<tr>
<td>Typical charge for a 40-foot import container or a semi-trailer (US$)</td>
<td>293.70</td>
</tr>
</tbody>
</table>

Country-specific data is not available for all 150 countries in the index. Blank cells indicate no data available.
Global Competitiveness Report

- [www.weforum.org/gcr](http://www.weforum.org/gcr)

### Trade & Transport Facilitation in Sri Lanka: Current Status

<table>
<thead>
<tr>
<th>Country</th>
<th>Mean</th>
<th>Singapore</th>
<th>Bangladesh</th>
<th>India</th>
<th>Pakistan</th>
<th>Sri Lanka</th>
<th>Nepal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burden of Customs Procedure</td>
<td>3.9</td>
<td>6.4</td>
<td>2.3</td>
<td>3.6</td>
<td>3.4</td>
<td>4.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Overall infrastructure quality</td>
<td>3.8</td>
<td>6.6</td>
<td>2.2</td>
<td>3.1</td>
<td>3.4</td>
<td>3.3</td>
<td>1.9</td>
</tr>
<tr>
<td>Road quality</td>
<td>3.7</td>
<td>6.6</td>
<td>3.1</td>
<td>3.1</td>
<td>3.6</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Railroad infrastructure quality</td>
<td>2.9</td>
<td>5.7</td>
<td>2.3</td>
<td>4.5</td>
<td>3.2</td>
<td>2.8</td>
<td>1.3</td>
</tr>
<tr>
<td>Port infrastructure quality</td>
<td>4.0</td>
<td>6.8</td>
<td>2.4</td>
<td>3.5</td>
<td>3.7</td>
<td>4.1</td>
<td>3.0</td>
</tr>
<tr>
<td>Air transport infrastructure quality</td>
<td>4.6</td>
<td>6.9</td>
<td>3.0</td>
<td>4.8</td>
<td>4.2</td>
<td>4.5</td>
<td>3.4</td>
</tr>
<tr>
<td>Transparency of government policymaking</td>
<td>4.1</td>
<td>6.1</td>
<td>3.5</td>
<td>4.4</td>
<td>3.5</td>
<td>4.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Global Competitiveness Index (Rank)</td>
<td>-</td>
<td>7</td>
<td>107</td>
<td>48</td>
<td>92</td>
<td>70</td>
<td>114</td>
</tr>
</tbody>
</table>
Business Cost of Corruption

Note: Score based on the questionnaire on whether illegal payments influence government policies, laws or regulations and impose costs or otherwise negatively affect their companies (1 = yes, they have a significant negative impact, 7 = no, they have no impact)

Source: Global Competitiveness Report 2007-2008
Note: Score based on the questionnaire on Port facilities and inland waterways in a country are (1 = underdeveloped, 7 = as developed as world’s best). For landlocked countries, this measures the ease of access to port facilities and inland waterways.

Source: Global Competitiveness Report 2007-2008
Concluding remarks on TF indicators/Data

- TF performance varies widely across countries; overall much room for improvement
- Global benchmarking tools have limitations → need to develop national-level TF monitoring mechanisms
  - E.g., WCO time release study (TRS), private sector surveys
Coverage of TRS

Time Consumed by
Shipping company
Shipping agent
Port Authority, etc.

Consumed by
Importer,
Customs broker
Container Yard
OGAs, etc.

Consumed by
Customs
Bank
Customs broker

Consumed by
Port Authority
Container Yard
Warehouse, Forwarder, etc.

Ship Arrival  Unloading  Declaration  Permission  Delivery

Concluding remarks on TF indicators
The Bottlenecks are not always where we think they are...

Changes in Time Required: Japan (Sea Cargoes)
Source: Customs and Tariff Bureau, MOF, Japan and Florian Alburo, June 2005

![Chart showing changes in time required for various processes in Japan's customs area. The chart compares years 1991 to 2001.](chart.png)
ARTNeT Research on Trade Facilitation

- 2006-8
  - Trade Facilitation in Regional Trade Agreements and Initiatives
    - Template on TF negotiations
  - Customs Valuation
    - Case studies to identify benefits and issues with WTO CVA and implementation
  - Logistics services and trade facilitation
- 2008-9
  - Impact of ICT related TF measures on SMEs
  - Behind-the-Border Gravity modeling initiative
From Trade Facilitation to Business Facilitation*

Behind the Border business regulations can have similar or higher impact on trade competitiveness than trade-specific regulations or impediments.*

Impact on Export of improvement in trade and business facilitation in Asia (catch up with OECD average)

<table>
<thead>
<tr>
<th>Areas of Improvement in exporting country</th>
<th>Implied average change in Asian countries (%)</th>
<th>Impact on bilateral import from exporting country (%)</th>
<th>All trade*</th>
<th>Intra regional and south-south trade**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Export</td>
<td>-13.79</td>
<td>13.5-14.5</td>
<td>11.1-14.0</td>
<td></td>
</tr>
<tr>
<td>Credit Markets (Depth of Credit Information)</td>
<td>27.79</td>
<td>14.2-16.2</td>
<td></td>
<td>33.2-35.6</td>
</tr>
<tr>
<td>Investment protection (Disclosure)</td>
<td>18.20</td>
<td>2.9-3.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Enforcement Procedures (No. of steps)</td>
<td>-18.54</td>
<td>23.2-27.3</td>
<td>up to 31.3</td>
<td></td>
</tr>
<tr>
<td>Trade &amp; Business Regulatory Coherence Index</td>
<td>-31.13</td>
<td>3.35</td>
<td></td>
<td>9.40</td>
</tr>
</tbody>
</table>

*calculated using coefficient estimates from model A2 and B3; **and A5 and B6.

Source: Duval and Uttoktham (2009)
Impact of Simulated Improvement in Trade and Business (Investment) Facilitation in Selected Asian Countries on their Exports

Source: Duval and Uttoktham (2009)
Implications from above results

- Confirm importance of measures aimed at reducing the behind and at-the-border cost of exporting (5% reduction in the cost of moving goods from the factory floor to the deck of a ship at the nearest port is found to increase exports by 4% or more).
- Improving the domestic business (investment) environment may have an impact on export competitiveness of a magnitude similar to the trade and transport facilitation measures.
- Achieving similar performance levels across the range of trade and business facilitation areas, i.e., having a more integrated approach to trade and business facilitation, could significantly increase trade competitiveness.

→ Policy makers should take a holistic approach to trade and business (investment) regulations to ensure limited resources can be used to tackle the most pressing regulatory bottlenecks and impediments.
→ Trade officials should seek to actively develop cooperation and communication channels with other ministries and institutions in charge of different types of business regulations.
Annex 1 – Main obligations/provisions of GATT Article X, VIII, and V
GATT Article X – Transparency
main obligations (1)

- Requirement to
  - Promptly publish all trade regulations in such a manner as to enable governments and traders to become acquainted with them

- No enforcement of a measure of general application prior to its official publication
GATT Article X – Transparency main obligations (2)

- **Uniform, impartial and reasonable administration of trade regulations**

- **Maintain or institute, as soon as practicable, tribunals or procedures for the prompt review and correction of administrative action relating to customs matters**
  - Tribunals/procedures must be independent from enforcement agencies
GATT Article VIII – Fees & Formalities
main obligations (1)

- All fees and charges imposed on or in connection with importation or exportation (other than imp./exp. duties and taxes within the purview of Article III) must
  - be limited in amount to the approximate cost of services rendered
  - not represent an indirect protection to domestic products
  - not represent a taxation of imports or exports for fiscal purposes
GATT Article VIII – Fees & Formalities main obligations (2)

➢ No imposition of substantial penalties for minor breaches of customs regulations or procedural requirements;

In particular, no penalty for omission or mistake in customs documentation that is easily rectifiable and made without fraudulent intent or gross negligence beyond the necessary to serve as a warning
GATT Article VIII – Fees & Formalities main obligations (3)

➤ Recognition of the need for

- reducing the number and diversity of fees and charges
- Minimizing the incidence and complexity of import and export formalities and for decreasing and simplifying import and export documentation requirements
GATT Article V – Freedom of transit main obligations (1)

- Each Member shall grant freedom of transit
  - for goods (including baggage), vessels and other means of transport crossing its territory
  - via the routes most convenient for international transit
  - with no distinction based on (i) flag of vessel, (ii) origin, (iii) departure, (iv) entry, (v) exit, (vi) destination, or (vii) ownership of goods, vessels or other means of transport
GATT Article V – Freedom of transit main obligations (2)

- (Except in cases of failure to comply with applicable customs laws and regulations):
  - **Prohibition to**
    - Make such traffic in transit subject to any unnecessary delays or restrictions
    - Impose customs duties, transit duties or other charges imposed with respect of transit
  - except (i) charges for transportation, or (ii) those commensurate with administrative expenses entailed by transit, or (iii) with the cost of services rendered
GATT Article V – Freedom of transit main obligations (3)

- All charges and regulations imposed on traffic in transit shall be
  - Reasonable, having regard to the conditions of the traffic

- MFN treatment for traffic in transit
  - With respect to all (i) charges, (ii) regulations, and (iii) formalities