



  
South and South-West Asia Office

**Regional Consultation Conference on  
“Road to Bali” South Asian Priorities for the Ninth  
WTO Ministerial  
2-3<sup>rd</sup> July 2013**

Trade Facilitation: “Road to Bali”

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**ESCAP South and South-West Asia Office**

Afghanistan · Bangladesh · Bhutan · India · Islamic Republic of Iran · Maldives · Nepal · Pakistan · Sri Lanka · Turkey



  
Economic and Social Commission for Asia and the Pacific



## Work Programme-SSWA

In line with the ESCAP Commission Mandates the SRO provides analytical work, policy advocacy, technical assistance and capacity building on the following South and SW Asia themes:

- Inclusive growth and MDGs
- Connectivity, trade and transport facilitation and regional economic integration
  - Trade Facilitation
- Regional cooperation for food and energy security
- Implementation of Istanbul Programme of Action and Almaty Programme of Action



“Effective international action on TF would generate win-win outcomes for the international trade community. We strongly encourage members to complete trade facilitation negotiations by the 9<sup>th</sup> Ministerial Conference in Bali in December 2013”

Report of the Panel on Defining the Future of Trade convened by DG, WTO- 24 April 2013



## Why TF is Important for South Asia?

- Non-Tariff Trade Cost (NTTC) of Countries in South Asian Region is very high.
- Empirical evidence suggest that there are substantial trade and economic gains from TF reforms.
- TF reforms will enhance competitiveness of SME through reduction of transaction costs.
- TF reforms will increase government revenue collection with more formal trade.
- TF reforms enable countries in the region to benefit from the spectacular growth of global value chain.

## Non Tariff Trade Cost of Selected Regions

<http://data.worldbank.org/data-catalog/trade-costs-dataset>

Intra and extra regional non-tariff trade costs (NTTC) 2007-2010 →

- NTTC between East Asia 3 (China, Republic Korea and Japan) amounting to a 52% tariff equivalent are among the lowest in the world after EU3 (46%)
- SAARC-4 lagging behind in intra-regional trade cost - **second** highest NTTC (105%) after North and Central Asia
- SAARC-4 = Bangladesh, India, Pakistan and Sri Lanka – doesn't include landlocked Nepal, Bhutan, Afghanistan

**Room for Improvement in S. Asia!**

Region	ASEAN-4	East Asia-3	NC Asia	SAARC-4	EU-3
ASEAN-4	75% (3.1%)	78% (7.7%)	381% (7.9%)	126% (0.7%)	110% (6.6%)
East Asia-3	78% (7.7%)	52% (-8.5%)	221% (-)	125% (1.9%)	86% (-5.6%)
N-C Asia	381% (7.9%)	221% (-)	141% (0.5%)	261% (-)	166% (-4.9%)
SAARC-4	126% (0.7%)	125% (1.9%)	261% (-)	105% (-0.6%)	115% (6.0%)
EU-3	110% (6.6%)	86% (-5.6%)	166% (-4.9%)	115% (6.0%)	46% (-0.4%)

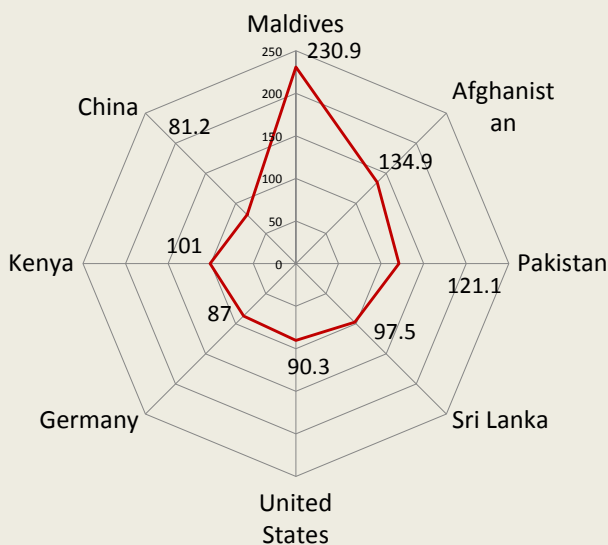
Source: ESCAP – World Bank Trade Cost Database

## India's Intra and Extra Regional Bilateral Trade Costs Selected Trading Partners .

Trade from India to:	2010 Non-Tariff Total Trade Costs	2010 Total Trade Cost + Tariffs	% of tariff on total trade costs
Maldives	230.9	264.4	12.7%
Afghanistan	134.9	161.8	16.6%
Pakistan	121.1	145.1	16.5%
Sri Lanka	97.5	107.4	9.2%
United States	90.3	102.7	12.1%
Germany	87.0	100.7	13.6%
Kenya	101.0	125.1	19.3%
China	81.2	98.0	17.1%

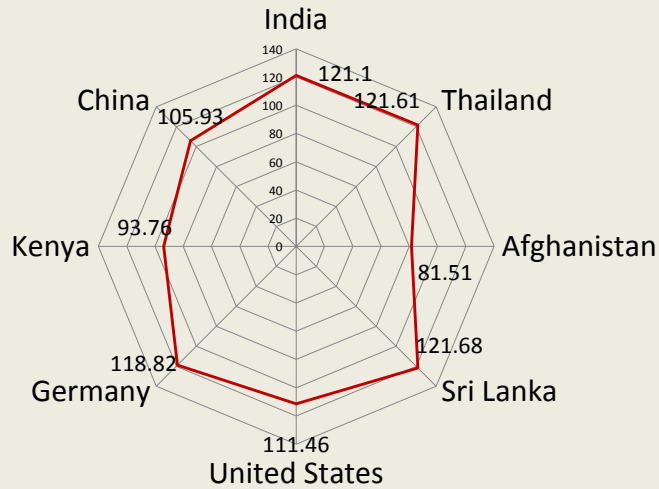
- Non- Tariff Trade Cost on India's trading partners significantly outweighs tariff barriers.
- NTTC for bilateral trade flows between India and Maldives is 230.9 but the tariff cost is only 12.7% of total Trade cost .
- In case trade between Sri Lanka and India both NTTC and tariff cost comparatively low.

## India's NTTC with Selected Trading Partners

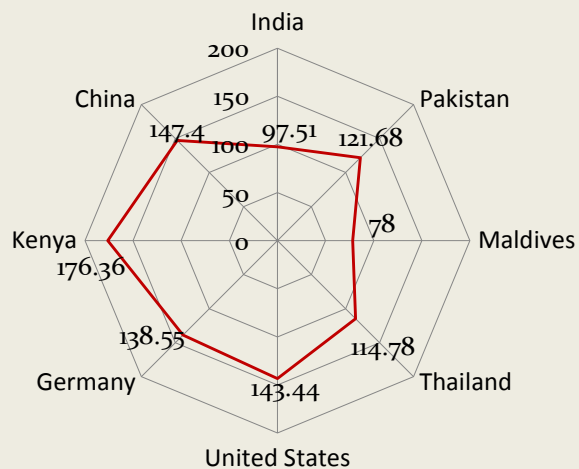


- NTTC, trade between India and Pakistan is higher than that of Kenya .
- NTTC with Non – South Asian countries such as Germany and US is comparatively low.

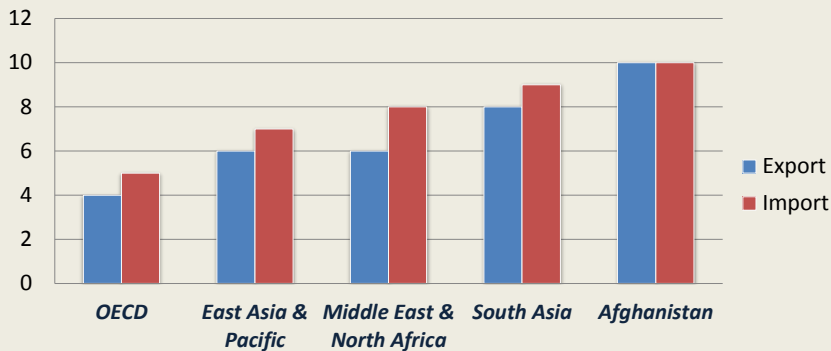
## Pakistan's NTTC with Selected Trading Partners



## Sri Lanka's NTTC with Selected Trading Partners



## Average Number of Documents Required to Export and Import by Region



- Excessive documentation significantly inhibits trade and market integration
- Only six other countries in the world have a higher average number of export documents required than Afghanistan: Angola, Cameroon, Congo, Nepal, Tajikistan and Uzbekistan. With Nepal being the only country in the region of South Asia

## Why Global Agenda on TF is important? ...

### Potential long-term payoffs from the world trade agenda

Agenda Topic	Exports Gains (billions)	Exports -Jobs Supported (millions)	GDP Increase \$billions
Trade facilitation	1 043	20,6	960
International services	1 129	8,6	1 039
International digital economy	178	3,7	147
DFQF market access	8	0,7	7
Agricultural subsidies	5	0,1	5
Food export controls*	n.a.	n.a.	45
Environmental goods and services	10	0,3	9
<b>Total</b>	<b>2 374</b>	<b>34,1</b>	<b>2 212</b>

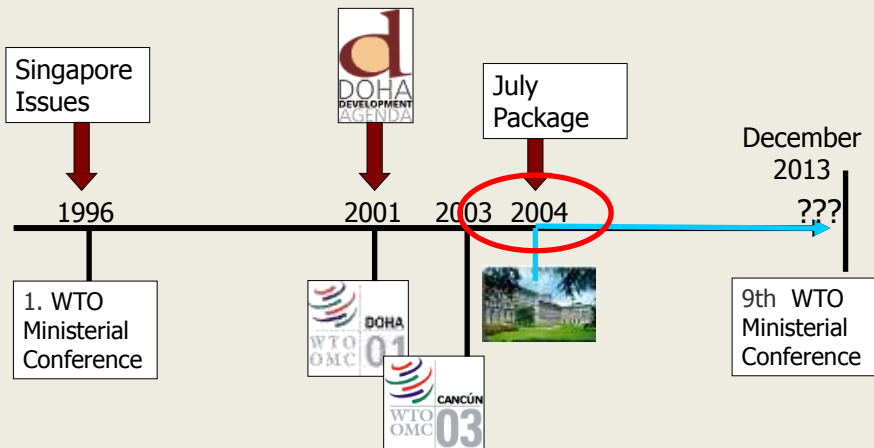
Source: Hufbauer, Gary & Schott, Jeffery (2013).  
Payoff from the World Trade Agenda 20

## Trade and Economic Gains from Improvement in Trade Facilitation

	Estimated Export gains from TF improvements				Two-way trade gains (in BN)	Total Estimated Jobs Supported (thousands)	GDP Increase (in BN)
	Percent		\$( in BN)				
	World Bank	PIIE	World Bank	PIIE			
South Asia	2.9	1.5	10	5	10	613	5
East Asia	19.8	9.9	534	267	534	11081	246
Middle East and North Africa	20.0	10.0	30	15	30	188	14
Latin America and Caribbean	29.5	14.8	301	151	301	2935	138
East Europe and Central Asia	16.7	8.4	202	101	202	2172	93
Sub-Saharan Africa	27.0	13.5	60	30	60	1035	28

Source: Hufbauer, Gary & Schott, Jeffery (2013). *Payoff from the World Trade Agenda 2013*

## The Evolution of Trade Facilitation Negotiations in WTO



## Evolution of TF : Phase 1 (1996-2004)



- TF was put on the WTO agenda at Singapore Ministerial Conference of WTO in 1996
- CTG (Council for Trade in Goods) entrusted with the task of discussing the issue
- TF was one of the Singapore issues (SI) adopted in the Doha Ministerial Declaration (para 27)
- Serious differences over inclusion of SI in the negotiation agenda
- WTO Cancun Ministerial in 2003 decided to drop Singapore Issues but considered TF more favorably
- July Package

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## Phase 2 (2004-2009)

- Negotiating Group on Trade Facilitation (NGTF)
- First generation proposals
  - Technical pillar – 3 GATT articles and customs cooperation
  - Development pillar – S&D component
- Hong Kong Ministerial
- Second and third generation proposals
- Self Assessment of Needs and Priorities
- Draft Consolidated Negotiating Text (December 2009)

## Phase 3 (2009-2012)

- 14 revisions of the Draft Consolidated Negotiation Text (DCNT)- TN/TF/W/165
- Thoughts on early Harvest
- Linkages with other areas of DDA
- Obligatory vs. Best Endeavor
- Technical assistance vs Financial assistance

## Current Status of Play

- Latest revision of DCNT, Rev 15 issued Second Half of March 2013.
- Technical work continues, based on Rev 15
- Chair has restructured the negotiating process with the support of his four 'Friends of the Chair'

 <b>WORLD TRADE ORGANIZATION</b>		TW/TF/W/185/Rev.15 27 March 2013 Page: 1/13
(L3-1888) Negotiating Group on Trade Facilitation		
DRAFT CONSOLIDATED NEGOTIATING TEXT Revision		
SECTION I	.....	3
ARTICLE 1: PUBLICATION AND AVAILABILITY OF INFORMATION	.....	3
1. Publication	.....	3
2. Information Available Through Internet	.....	3
3. Enquiry Points	.....	4
4. Notification	.....	4
ARTICLE 2: PRIOR PUBLICATION AND CONSULTATION	.....	4
1. Interval between Publication and Entry into Force	.....	4
2. Opportunity to Comment on New and Amended Rules	.....	4
3. Consultations	.....	4
ARTICLE 3: ADVANCE RULINGS	.....	4
ARTICLE 4: APPEAL OR REVIEW PROCEDURES	.....	6
1. Right to Appeal or Review	.....	6
2. Appeal Mechanism [in a Customs Union] [that is a WTO Member]	.....	7
ARTICLE 5: OTHER MEASURES TO ENSURE IMPARTIALITY, NON-DISCRIMINATION AND TRANSPARENCY	.....	7

## Current Status of Play continues..

- Many' developing countries and LDCs are conducting new needs assessments
  - [Expected to yield more up to date documentary basis to start developing partnerships with donor Members and development partners](#)
- Next Steps? – July to December, 2013 onwards
- 9<sup>th</sup> WTO Ministerial – Bali, Indonesia, Dec 3-6, 2013



## Landscape of Future TF Agreement?

- Divided into two sections:
  - **Section I – contains 15 Articles (42 Measures) on substantive matters;**
    - **Article 12 Customs Cooperation: establishment of multilateral mechanism exchange and handling of information**
    - **Implementation related issues**
      - Institutional arrangement
      - Establishment of National Committees
      - Cross cutting matters
  - **Section II – contains proposals on Special and Differential Treatment provisions including technical assistance and capacity building.**

## Section 1-Substantive matters

### Four Groups of Measures

- |                                     |                |
|-------------------------------------|----------------|
| ■ Article X (Transparency)          | Articles 1-5   |
| ■ Article VIII (Fees & Formalities) | Articles 6-10  |
| ■ Article V (Transit)               | Article 11     |
| ■ Other issues                      | Articles 12-15 |

## Convergence so far..

- **Tailor-made approach - responsive to individual needs 'no one-size-fits-all'**
- **Building capacity to enable implementation**
- **3 categories of commitments**
  - Measures that will apply **immediately** after entry into force of the Agreement- Category A
  - those that will apply **after expiration of a transition period**- Category B
  - those that will apply subject to proper and adequate provision of TACB- Category C, **after TACB**

## Convergence so far..

### Early Warning System

- Implementation difficulties to the Committee through a mechanism of early warning with respect to categories B and C
- But must indicate the new date that such commitment can be implemented
- Developing countries and LDCs are allowed to shift between category B and C

## Implementation Difficulties by 3 LDCS?

South Asia Regional Forum on Trade Facilitation  
May New Delhi 2013 organized by UNCTAD

### Overall conformity Bangladesh+Bhutan+Nepal



- The forum reviewed the status of implementation capabilities of three South Asian countries with regards to 39 measures WTO Trade Facilitation Agreement.
- Only 30% (12) of the measures are presently implemented, while 55% (22) of the measures are partially compliant.

## Where are we now?

- Finalizing the text
  - Deciding on the degree of obligation;
    - Examples
      - Shall vs. May, to the extend possible
      - Within its available resources
      - Members [shall [endeavour to]][may]
    - Reduce/eliminate square brackets;
- Clarifying S&D treatment especially the issue of financial assistance
- Cross Cutting Issues
- Linkages with other areas of DDA and post Bali scenario

## Standalone Agreement on TF at Bali? Two “sticking Points”

- Willingness to delink from other Doha negotiation issues
  - External balance with other issues
  - LDC issues
  - Agriculture
  - ?
- Need to strike an internal balance between 3 key pillars of negotiation
  - Equal level of commitment for Multilateral Mechanism for Exchange and Handling of information amongst WTO Members
  - Credible commitment for SDT beyond traditional transition periods with components on TA and CB

## The Way Forward?

- Discover benefits in Section I of the negotiation text.
- Can they bring benefits facilitating speed to markets, enhance export competitiveness and drive FDI specially LLDCs in the region?.
- Continue effective participation in NGTF with constructive spirit and positive mindset, still not too late.
- Large flexibility for LDCs
- A set of commitment at the WTO would facilitate regional integration – Examples transit regime, cross border cooperation, transparency.
- Trade off

## The Way Forward?

### Need Political Will

The recipe for success is to continue domestic reforms in line with national development objective and by aligning national, regional and multilateral TF initiatives



Thank You