

Implementing Trade Facilitation Agreement in South Asian LDCs

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Enhanced Integrated Framework (EIF)
for trade-related assistance for Least Developed Countries (LDCs)



Presentation outline

- Genesis of Trade Facilitation Agreement (TFA)
- Salient features of TFA
- Current state of play
- Status of trade facilitation in South Asian LDCs
- Role of Aid for Trade
- Potential role for the EIF
- Conclusion and way forward

Genesis

- Officially mooted during the Singapore Ministerial Conference of the WTO (December 1996) thus called Singapore issue together with investment, competition and transparency in government procurement
- Appeared as one of the four Singapore issues in Doha Development Agenda (November 2001)
- Became the only surviving Singapore issue in the July Package (August 2004), which contained the following mandates for negotiation as set out in Annex D of the Package:
 - Clarifying and improving GATT rules (Articles V, VIII and X)
 - Enhancing technical assistance and support for capacity building
 - Undertaking infrastructure investment within the means of developing countries
- After acrimonious negotiations post-Hong Kong Ministerial Conference (December 2005) TFA was adopted in the Bali Ministerial Conference (December 2013)

Salient features of TFA



Section I – Substantive provisions

- Publication and availability of information
- Prior publication and consultation
- Advance rulings
- Appeal or review procedure
- Other measures to enhance impartiality, non-discrimination and transparency
- Disciplines on fees and charges imposed on or in connection with importation and exportation
- Release and clearance of goods Article 8:
Border agency coordination
- Movement of goods under customs control intended for import
- Formalities connected with importation and exportation and transit
- Freedom of transit
- Customs cooperation
- Institutional arrangement

Section II – Special and differential provisions

- 3 categories of commitments on a negative list basis:
 - A: Designated for implementation upon entry into force of the agreement
 - B: Designated for implementation after transition period
 - C: Designated for implementation after transition period and acquisition of implementation capacity through provision of technical assistance and support for capacity building
- Notification
- Early warning system
- Mechanism for technical assistance
- Application of dispute settlement understanding provisions

Current state of play – I

- Protocol to be ready by July 2014
- Ratification required - at least 2/3rd members by July 2015
- Developments under several tracks
 - Committee on TF established on 31 January tasked with:
 - ensuring the entry into force of the TFA;
 - preparing for its efficient operation;
 - conducting its legal review; and
 - receiving notifications of members' commitments and amending the Marrakesh Agreement establishing the WTO by inserting the new TFA in Annex 1A.

Current state of play – II



- DG organized a meeting with Annex D+ organizations and donors at the WTO on 4 February, the main highlights of which include:
 - Expeditious establishment of national trade facilitation committees
 - Categorization and planning for assistance and capacity building including provision of further impartial expert advice
 - Provision of assistance beyond category C measures
 - Sustainability of supports and reforms
 - Role of private sector in demand as well as supply side
 - Coordination and collaboration among development partners
- Several institutions are involved in TF needs assessment, with 52 assessments completed as of 19 February 2014 and total requests reaching 89
- Developing countries and LDCs gearing up to set up national trade facilitation committees

Status of trade facilitation in South Asian LDCs

Table 1: Snapshot of trade facilitation status in South Asian LDCs								
Cost as % of 2012 per capita GNI	LDCs				Developing countries			
	AF	BG	BT	NP	IN	MD	PK	SL
For export								
Document preparation	68%	27%	14%	42%	26%	7%	9%	5%
Customs and technical control	44%	18%	7%	43%	8%	3%	16%	5%
For import								
Document preparation	100%	44%	10%	36%	25%	8%	12%	7%
Customs and technical control	44%	18%	16%	43%	13%	3%	17%	10%

Source: Calculations based on Doing Business Report 2014 (TF data) and World Development Indicators (GNI data)

Status of TF strategy and committees in South Asian LDCs



Country	Trade Facilitation Strategy/Plan	National Trade Facilitation Bodies including Committees and their composition
Afghanistan	No strategy	<ul style="list-style-type: none"> • Afghanistan Pro committee (AFPRO) established in 2006 with the objective to promote efficient trade, transit and transport procedures and methods. • Not active in the recent period
Bangladesh	No strategy but in the process of being drafted	<ul style="list-style-type: none"> • The Working Group on Trade Facilitation and Customs Valuation was established in 2007, which falls under the category of WTO Negotiations on trade facilitation support group • The National Trade Facilitation Committee was established in 2013. This falls under the category of National Trade Facilitation Committee.
Bhutan	No strategy	<ul style="list-style-type: none"> • National Trade Facilitation Committee established on 18 February 2013 and under the category of National Trade Facilitation Committee.
Nepal	The Department of Customs (DoC) has been implementing a four-year 'Customs Reform and Modernisation Strategy and Action Plan' since July 2013	<ul style="list-style-type: none"> • A National Trade and Transport Facilitation Committee was created in collaboration with UNCTAD. • Committee not operational anymore • Nepal Business Forum (NBF) working group on Export Promotion and Trade Facilitation

Role of Aid for Trade – I

- Section II 1.2 of TFA clearly envisages the role of AfT, i.e., “assistance and support for capacity building”
- “Trade facilitation” is one of the categories within AfT provided to developing countries (see Table 2)

Table 2: AFT disbursement to South Asian countries under Trade Facilitation sub heading, constant prices (2011 USD million)

	2005	2006	2007	2008	2009	2010	2011	2012	Total
Afghanistan	10.467	6.963	6.969	3.831	7.719	6.244	10.369	22.941	75.50
Bangladesh	0.471	0.100	0.204	0.005	0.263	0.847	0.021	0.355	2.27
Bhutan	..	0.006	..	0.539	0.115	0.003	0.024	0.024	0.71
India	0.558	0.007	0.035	0.272	0.590	1.110	0.121	0.687	3.38
Maldives	..	..	..	..	0.023	..	0.024	0.018	0.06
Nepal	..	..	0.048	0.045	0.080	0.146	2.249	1.025	3.59
Pakistan	..	0.006	..	0.006	1.112	0.612	1.716	1.426	4.88
Sri Lanka	..	0.011	0.547	0.792	0.309	0.003	0.184	0.414	2.26
Total for SA	11.496	7.093	7.803	5.491	10.211	8.967	14.709	26.891	92.66

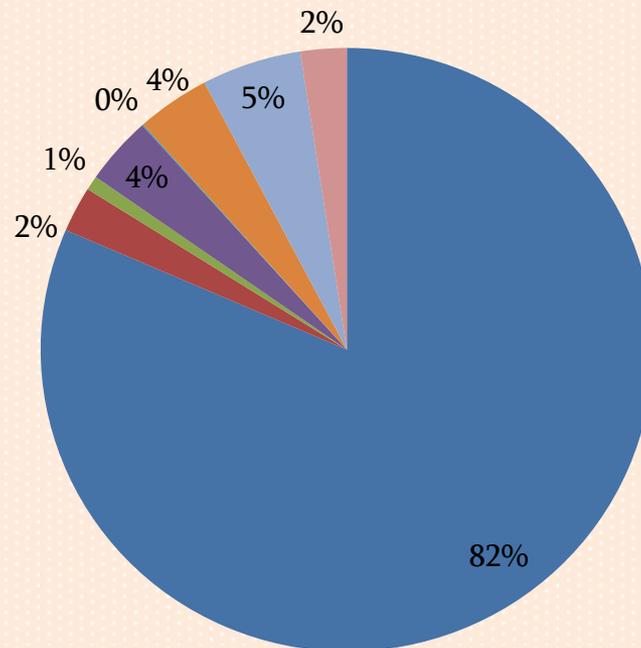
Source: OECD Creditor Reporting System (accessed 1 March 2014)

Role of Aid for Trade – II

- According to Table 2, growth in AFT for TF has been erratic in South Asia
- A lion share of AFT goes to a single country, namely Afghanistan (Figure 1)
- A detailed investigation shows that support provided to unrelated to trade facilitation such as IPR-related event and provision of micro-credit included in the AFT for TF

Figure 1: Distribution of AFT for TF in South Asia

■ Afghanistan ■ Bangladesh ■ Bhutan ■ India ■ Maldives ■ Nepal ■ Pakistan ■ Sri Lanka



Potential role of EIF

- EIF is mentioned in the TFA as a coordinating mechanism for the delivery of TF support to the LDCs
- EIF's Coordination role at the global level
 - 48 LDCs and 3 recently graduated countries
 - Six agencies and two observers
 - 23 traditional and South-South donors
- At the national level
 - EIF mechanism as a part of the trade facilitation committee or similar institution at the national level in 10 LDCs
 - Diagnostic Trade Integration Studies (DTIS) as an anchor
- Real and potential contributions
 - Currently providing TF support to four LDCs (Cambodia, the Maldives, the Gambia and Rwanda)
 - Need assessment in collaboration with the WTO
 - Use of feasibility study window

Conclusion and way forward – I

- Some WTO members wanted to have TFA for almost two decades; but deal was impossible without a negotiated settlement
- TFA is probably one of the most balanced agreements so far negotiated in the multilateral trading system
- Given the current state of trade facilitation and reform underway, there is no denying that TFA will help South Asian LDCs in reducing trading costs and time
- While aid for trade provided so far is largely erratic and skewed, provision for meaningful, effective, predictable and sustainable assistance is *sine qua none* for the South Asian LDCs to implement their commitments under the TFA

Conclusion and way forward – II

- While ratification of TFA itself might take considerable time, it would be in the interest of South Asian LDCs to start early, among others, to:
 - Set up national trade facilitation committees or similar bodies
 - Conduct needs assessment
 - Identify provisions that should be classified under various categories (A, B or C) and prepare realistic action plan
 - Negotiate the provisions of TF related assistance
 - Involve the private sector not only in the design of the implementation modalities but also in its implementation
 - Frontload sustainability agenda
- EIF stands ready to support South Asian LDCs to implement TFA based on the explicit demand emanating from countries themselves



Thank you for your attention

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