Implementing Trade Facilitation Agreement in South Asian LDCs

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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

<table>
<thead>
<tr>
<th>Section I – Substantive provisions</th>
<th>Section II – Special and differential provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Publication and availability of information</td>
<td>• 3 categories of commitments on a negative list basis:</td>
</tr>
<tr>
<td>• Prior publication and consultation</td>
<td></td>
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<tr>
<td>• Advance rulings</td>
<td></td>
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<tr>
<td>• Appeal or review procedure</td>
<td></td>
</tr>
<tr>
<td>• Other measures to enhance impartiality, non-discrimination and transparency</td>
<td></td>
</tr>
<tr>
<td>• Disciplines on fees and charges imposed on or in connection with importation and exportation</td>
<td></td>
</tr>
<tr>
<td>• Release and clearance of goods Article 8: Border agency coordination</td>
<td></td>
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<tr>
<td>• Movement of goods under customs control intended for import</td>
<td></td>
</tr>
<tr>
<td>• Formalities connected with importation and exportation and transit</td>
<td></td>
</tr>
<tr>
<td>• Freedom of transit</td>
<td></td>
</tr>
<tr>
<td>• Customs cooperation</td>
<td>• Notification</td>
</tr>
<tr>
<td>• Institutional arrangement</td>
<td>• Early warning system</td>
</tr>
<tr>
<td></td>
<td>• Mechanism for technical assistance</td>
</tr>
<tr>
<td></td>
<td>• Application of dispute settlement understanding provisions</td>
</tr>
</tbody>
</table>
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:
    o ensuring the entry into force of the TFA;
    o preparing for its efficient operation;
    o conducting its legal review; and
    o 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:
  o Expeditious establishment of national trade facilitation committees
  o Categorization and planning for assistance and capacity building including provision of further impartial expert advice
  o Provision of assistance beyond category C measures
  o Sustainability of supports and reforms
  o Role of private sector in demand as well as supply side
  o 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

<table>
<thead>
<tr>
<th>Cost as % of 2012 per capita GNI</th>
<th>LDCs</th>
<th>Developing countries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AF</td>
<td>BG</td>
</tr>
<tr>
<td>For export</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Document preparation</td>
<td>68%</td>
<td>27%</td>
</tr>
<tr>
<td>Customs and technical control</td>
<td>44%</td>
<td>18%</td>
</tr>
<tr>
<td>For import</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Document preparation</td>
<td>100%</td>
<td>44%</td>
</tr>
<tr>
<td>Customs and technical control</td>
<td>44%</td>
<td>18%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Country</th>
<th>Trade Facilitation Strategy/Plan</th>
<th>National Trade Facilitation Bodies including Committees and their composition</th>
</tr>
</thead>
</table>
| **Afghanistan** | No strategy | • 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 | • 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 | • 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 | • 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)

<table>
<thead>
<tr>
<th>Country</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>10.467</td>
<td>6.963</td>
<td>6.969</td>
<td>3.831</td>
<td>7.719</td>
<td>6.244</td>
<td>10.369</td>
<td>22.941</td>
<td>75.50</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>0.471</td>
<td>0.100</td>
<td>0.204</td>
<td>0.005</td>
<td>0.263</td>
<td>0.847</td>
<td>0.021</td>
<td>0.355</td>
<td>2.27</td>
</tr>
<tr>
<td>Bhutan</td>
<td>..</td>
<td>0.006</td>
<td>..</td>
<td>0.539</td>
<td>0.115</td>
<td>0.003</td>
<td>0.024</td>
<td>0.024</td>
<td>0.71</td>
</tr>
<tr>
<td>India</td>
<td>0.558</td>
<td>0.007</td>
<td>0.035</td>
<td>0.272</td>
<td>0.590</td>
<td>1.110</td>
<td>0.121</td>
<td>0.687</td>
<td>3.38</td>
</tr>
<tr>
<td>Maldives</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>0.023</td>
<td>..</td>
<td>0.024</td>
<td>0.018</td>
<td>0.06</td>
</tr>
<tr>
<td>Nepal</td>
<td>..</td>
<td>..</td>
<td>0.048</td>
<td>0.045</td>
<td>0.080</td>
<td>0.146</td>
<td>2.249</td>
<td>1.025</td>
<td>3.59</td>
</tr>
<tr>
<td>Pakistan</td>
<td>..</td>
<td>0.006</td>
<td>..</td>
<td>0.006</td>
<td>1.112</td>
<td>0.612</td>
<td>1.716</td>
<td>1.426</td>
<td>4.88</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>..</td>
<td>0.011</td>
<td>0.547</td>
<td>0.792</td>
<td>0.309</td>
<td>0.003</td>
<td>0.184</td>
<td>0.414</td>
<td>2.26</td>
</tr>
</tbody>
</table>

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

- Afgahnistan: 82%
- Bangladesh: 5%
- Bhutan: 4%
- India: 4%
- Maldives: 2%
- Nepal: 2%
- Pakistan: 1%
- Sri Lanka: 0%
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
  o 48 LDCs and 3 recently graduated countries
  o Six agencies and two observers
  o 23 traditional and South-South donors

• At the national level
  o EIF mechanism as a part of the trade facilitation committee or similar institution at the national level in 10 LDCs
  o Diagnostic Trade Integration Studies (DTIS) as an anchor

• Real and potential contributions
  o Currently providing TF support to four LDCs (Cambodia, the Maldives, the Gambia and Rwanda)
  o Need assessment in collaboration with the WTO
  o 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:
  o Set up national trade facilitation committees or similar bodies
  o Conduct needs assessment
  o Identify provisions that should be classified under various categories (A, B or C) and prepare realistic action plan
  o Negotiate the provisions of TF related assistance
  o Involve the private sector not only in the design of the implementation modalities but also in its implementation
  o 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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