



**ECONOMIC AND SOCIAL
COUNCIL**

Distr.
LIMITED
E/ESCWA/EDID/2017/IG.1/8
E/ESCWA/EDID/2017/IG.3/5
11 August 2017
ORIGINAL: ENGLISH

Economic and Social Commission for Western Asia (ESCWA)

Committee on Transport and Logistics
Eighteenth session
Beirut, 20-21 December 2017



Item 9 of the provisional agenda

**Implementation of trade facilitation measures
in the Arab region**

Summary

This document provides a snap-shot of the status of implementation of trade facilitation measures by Arab States, as a baseline for measuring the progress that will be made over the coming years in the implementation of the World Trade Organization (WTO) Agreement on Trade Facilitation (TFA). It defines trade facilitation and summarizes its benefits and costs. It then briefly presents the TFA and provides data on implementation of its measures by Arab States, based on the notifications they have made to the WTO in that regard.

Representatives of member States are invited to take note of the information contained in this document and advise on the way forward in work by the secretariat of the Economic and Social Commission for Western Asia (ESCWA) to support member States in the area of trade facilitation.

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Introduction

1. Trade is an engine of growth and development. Over the past 50 years, many countries have taken measures to develop their capabilities and improve their contribution to global trade. Such measures included increasing market access through domestic reform of rules and regulations to facilitate engagement in bilateral, regional and multilateral trade arrangements; streamlining trade procedures; and establishing standardized treatment to ensure fairness and transparency. As a result, global tariffs have dropped to historical levels and many trade barriers have been lifted. This has led to a noticeable increase of investments between countries, including through transnational corporations and fragmentation of production.
2. While trade restricting measures such as high tariffs, quotas and restrictive import licensing have been successfully removed, some non-tariff barriers have remained and, in some cases, increased. Procedures and requirements are still diminishing the benefits resulting from liberalization of trade and tariff reduction. Efforts to address such constraints have started to converge into a set of measures known as trade facilitation measures. Today, trade facilitation is considered one of the most important reforms required to reduce trade costs and enhance competitiveness and economic growth. It is the focus of trade policymakers and negotiators of international trade rules, particularly under the umbrella of the World Trade Organization (WTO). Rules of trade facilitation have been established and agreed upon at the global level in the WTO Agreement on Trade Facilitation (TFA), which was negotiated for about nine years and concluded in December 2013. It entered into force on 22 February 2017.
3. The Arab region's share of global trade is less than 5 per cent, despite its wealth in natural resources and human capital and its strategic location. The region still suffers from high trade costs resulting from inefficient trade logistics and cumbersome trade procedures, especially at States' borders. However continuous effort is being exerted by most Arab States to streamline trade procedures through various means, including the implementation of the trade facilitation measures that are articulated in the TFA.
4. This document provides a snap-shot of the status of implementation of the trade facilitation measures by Arab States, as a baseline for measuring the progress that will be made over the coming years in the implementation of the TFA.

I. TRADE FACILITATION: DEFINITION, BENEFITS AND COSTS

5. Definitions of trade facilitation differ according to scope: a broad definition includes all the measures that can be taken to improve the flow of trade between producers and consumers, from logistics and transport to customs clearance, financing, insurance and information technology. This definition covers all the measures taken before, at and beyond a State's borders. A narrow definition of trade facilitation is restricted to measures taken at the border through which goods get cleared to enter the territory of a certain country. Such a narrow definition is used in the TFA, which only focuses on customs issues.
6. International trade is restricted by numerous requirements at countries' borders. Some are legitimate, aiming to achieve safety and security, and uphold quality. Others can be unnecessary impediments that serve no purpose. Even in the cases where requirements do serve legitimate purposes, procedures can be longer than needed, duplicated or unfit for purpose. Trade facilitation helps to reduce the time and efforts needed to achieve the legitimate objectives and eliminate the unnecessary procedures and processes. It can, to a large extent, be reduced to reengineering, including redesign of procedures, processes and documents cycles; sequencing of steps; and shifting from manual to electronic and remote processing. Additional activities include publication of regulations; provision of information on the Internet; establishment of enquiry points, risk management systems and single window systems; and consultations with stakeholders.
7. The impact of trade facilitation on competitiveness can be very important at the firm, industry and national levels. Reduced trade costs lead to more competitiveness in international markets and greater market shares and profitability for firms. They also lead to increased attractiveness of a country for foreign direct

investments and global value chains. Studies have shown strong links between trade facilitation on the one hand, and participation in GVCs, foreign direct investment, regional integration and economic growth on the other hand.¹

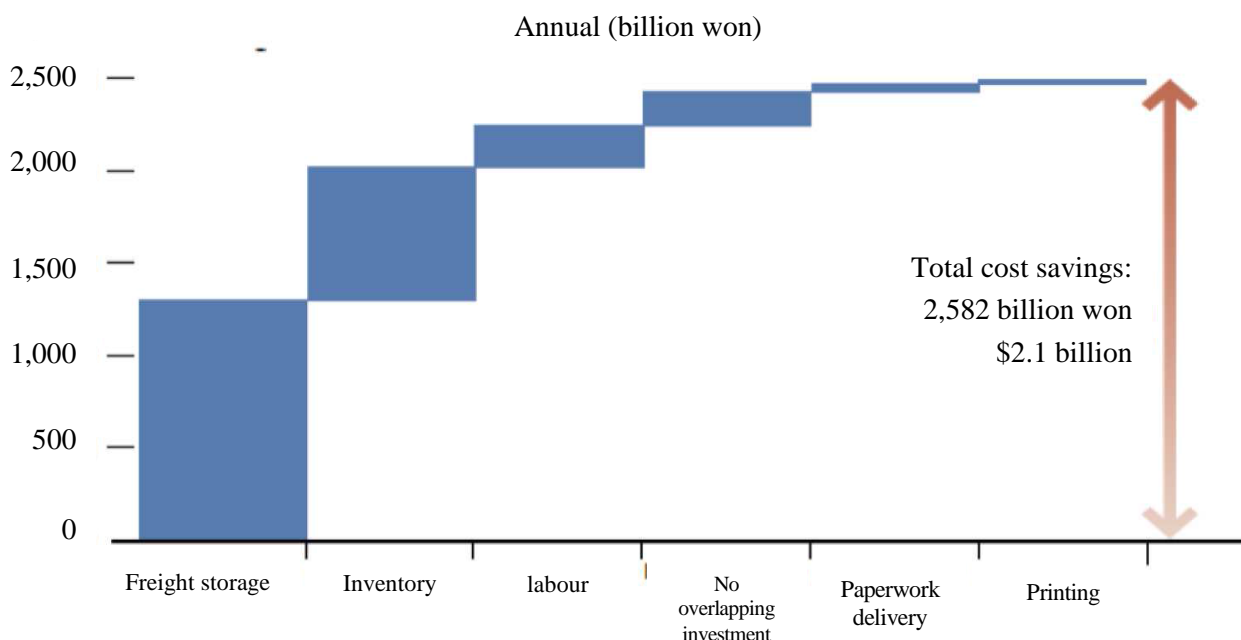
8. Implementing the TFA is expected to lead to 2 per cent global growth in gross domestic product (GDP). Developing countries are expected to gain two thirds of the ensuing global welfare.² Implementing the TFA is also expected to reduce total trade costs by more than 14 per cent for low-income countries and more than 13 per cent for upper-middle-income countries, through the streamlining of trade flows across borders.³

9. Overall, the costs of implementing the TFA can be classified into three categories:

- (a) Capacity-building and training;
- (b) Automation and modernization of equipment;
- (c) Regulations and design of formalities.

10. The benefits in terms of time and resources saving for the public and private sectors are tremendous. The case of the Republic of Korea is a clear example of such saving (figure 1).

Figure 1. Saving resulting from trade facilitation reform in the Republic of Korea in 2010



Source: World Bank, *Doing Business 2010: Reforming through Difficult Times* (Washington, D.C., 2009).

11. Benefits from trade facilitation reform are not restricted to the saving of resources as a result of efficiency and streamlined procedures. More gain comes from increased trade, reduction of trade costs, decreased prices of goods and integration with global markets, among others. Trade facilitation is beneficial to both importers and exporters; it particularly benefits the small and vulnerable producers and exporters, such

¹ United Nations Conference on Trade and Development, *World Investment Report 2013–Global Value Chains: Investment and Trade for Development* (New York and Geneva, 2013).

² Organisation for Economic Co-operation and Development (OECD), “The costs and benefits of trade facilitation”, Policy Brief (Paris, 2005). Available from <http://www.oecd.org/trade/facilitation/35459690.pdf>.

³ World Trade Organization (WTO), “Trade Facilitation Agreement: easing the flow of goods across borders” (n.d.). Available from https://www.wto.org/english/thewto_e/20y_e/wto_tradefacilitation_e.pdf.

as small and medium enterprises and women. A holistic approach to trade facilitation, which includes simplifying and harmonizing processes and procedures, developing infrastructure, increasing logistics efficiency and removing non-tariff barriers that hinder trade flows, is essential to reap such benefits.

II. ARAB STATES AND TRADE FACILITATION

12. Trade facilitation can lead to increased trade among Arab States and increased participation of the region to global trade and GVCs. Regional value chains can also be established, bringing more investment in to the region. A 2014 survey by the Organisation for Economic Co-operation and Development (OECD),⁴ which covered 107 countries at different stages of development, showed that the performance of the region was significantly better than average in the areas of simplification and harmonization of documents, and external border agency cooperation. It was on par with the average in the areas of information availability, automation, streamlining of procedures, governance and impartiality, and below average with respect to advance rulings and fees and charges. The areas with the strongest impact on trade flows in and out of the region appeared to be automation, streamlining of procedures and document-related processes. This impact was observed in total trade and manufacturing trade, and for extraregional and intraregional flows.

13. The measures that were identified as potential contributors to lowering trade costs in the region were: automation, with an estimated potential reduction of 2.6 per cent in trade costs; involvement of the trade community, with an estimated potential reduction of 1.8 per cent; and streamlining of procedures, with an estimated potential reduction of 1.3 per cent. The potential cost reduction through comprehensive trade facilitation reform was estimated at 10.2 per cent for the region, and comprehensive trade facilitation reform was found more effective than isolated or piecemeal measures.⁵

PROGRESS IN TFA IMPLEMENTATION IN THE ARAB REGION

14. The TFA, aimed at improving on articles V, VIII and X of the 1994 General Agreement on Tariffs and Trade (GATT) to further expedite the movement, release and clearance of goods, including goods in transit, is structured into two sections. Section I includes 13 articles outlining the obligations of members and section II is dedicated to special and differential treatment for developing countries and notification requirements. The most important feature of the TFA is indeed that it extends flexibility to developing countries, which can choose the time by which they implement the obligations. TFA provisions may be divided into three categories:

(a) Category A: provisions that members will implement/have implemented when the Agreement enters into force (or, in the case of a least developed country member, within one year after entry into force);

(b) Category B: provisions that members will implement after a transitional period following the entry into force;

(c) Category C: provisions that members will implement after a transitional period following the entry into force of the Agreement and requiring capacity-building support.

15. As per section II of the TFA, members must categorize each provision of the Agreement and notify other WTO members of these categorizations, in accordance with the specific timelines outlined in the Agreement. To date, 96 States have notified their commitments, mainly under category A of the TFA, with 14 States having notified their category B commitments and 10 States their category C commitments.

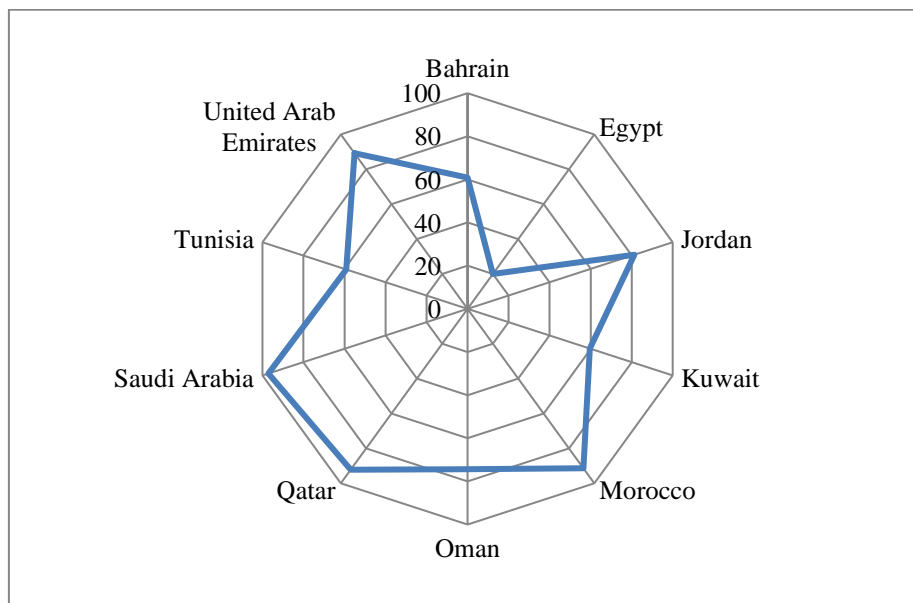
⁴ Raed Safadi, "Arab countries & trade facilitation reform priorities", PowerPoint presentation, 2014. Available from <http://css.escwa.org.lb/EDGD/3411/2.ppt>.

⁵ Ibid.

16. Thirteen Arab States are WTO members and are bound by the TFA. They are in different implementation stages, as will be shown below. The assessment is solely based on the notifications provided by States to the WTO.

17. Overall, 10 Arab States have notified their category A commitments to the WTO. The initial notifications showed that most members were making good progress towards full implementation of the Agreement. The average rate of implementation in the Arab region hovers around 70 per cent, with Qatar and Saudi Arabia leading the way at 97 per cent and Egypt registering only 20 per cent.

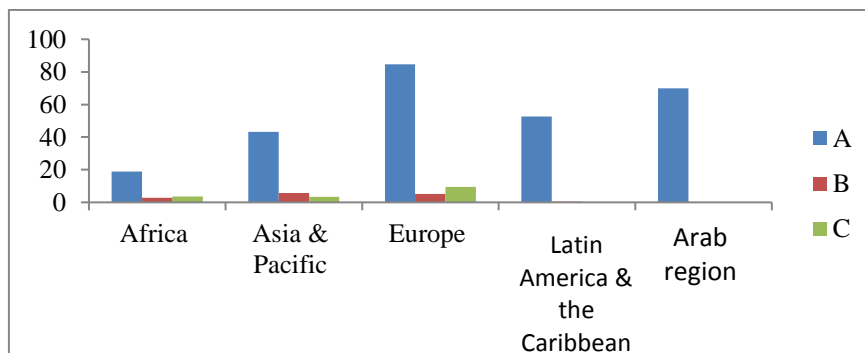
Figure 2. TFA implementation by Arab States



Source: World Trade Organization, Trade Facilitation Agreement database. Available from <https://www.tfadatabase.org/> (accessed 1 July 2017).

18. Initial notifications by Arab States were made in the period 2014-2015 and many developments may have occurred since then. Moreover, notifications of category A commitments do not necessarily reflect actual implementation, as States enjoy flexibility for the timing of implementation. Finally, States may choose not to notify a certain measure even though they are implementing it. Thus, updated notifications are needed for a clearer picture of the situation on the ground, and even such updates will not fully reflect actual implementation.

Figure 3. Notification of commitment categories by region



Source: World Trade Organization, Trade Facilitation Agreement database. Available from <https://www.tfadatabase.org/> (accessed 1 July 2017).

19. The measure on making information available on the Internet is the most implemented among Arab States, with an 88 per cent implementation rate, followed by publication with 87 per cent. The least implemented measures are trade facilitation measures for authorized operators, with an implementation rate of only 20 per cent, followed by the establishment of a single window with 30 per cent. Only Jordan, Kuwait and Qatar have notified their implementation of the single window commitment, even though the single window system is implemented in many Arab States.

20. The issue of single windows requires greater attention by Arab States, as it plays a very important role in trade facilitation. It enables unified submission and processing of documents, but also facilitates the implementation of other trade facilitation measures, especially when moving from manual to electronic processing. For example, single windows foster the implementation of measures on publication and availability of information on the Internet, opportunities for comments and consultations on legislations, pre-arrival processing, electronic payment, advance ruling, etc. Single windows are also a way of fighting delay and corruption in customs procedures.

21. Another priority area for most States should be trade facilitation measures for authorized operators. This measure is the least implemented by Arab States and was notified only by Morocco and Saudi Arabia.

III. CONCLUSION

22. Despite great variation from one State to another, the progress made by most Arab States in TFA implementation is significant. However, data here are limited to members' notifications, which do not accurately reflect actual implementation status. The flexibility provided by the TFA in choosing the timing for implementation also makes it difficult to know the situation on the ground from countries' notifications only.

23. The coverage of commitments in Arab States' notifications is comprehensive and comparable with that of other developing countries, except for the single window measure, which is missing from most Arab States' notifications even though they are already operating single window systems. This gap between notifications and reality may be attributed to States' reluctance to commit to the measure before having tested single windows and having implemented them fully.

24. Member States are invited to consider updating this assessment every biennium, in order to continue monitoring progress in TFA implementation and to seek assistance where needed.

Annex

ARAB COUNTRIES' IMPLEMENTATION OF TFA MEASURES

	Bahrain	Egypt	Jordan	Kuwait	Morocco	Oman	Qatar	Saudi Arabia	Tunisia	United Arab Emirates
Article 1: Publication and availability of information										
1.1 Publication	X		X		X		X	X	X	X
1.2 Information available through the Internet	X		X		X	X	X	X	X	X
1.3 Enquiry points	X		X		X		X	X	X	X
1.4 Notification	X				X	X	X	X	X	X
Article 2: Opportunity for comment, information before entry into force and consultations										
2.1 Opportunity to comment and information before entry into force	X				X		X		X	X
2.2 Consultations					X	X	X	X		X
Article 3: Advance rulings			X	X	X		X	X		
Article 4: Procedures for appeal or review	X	X			X	X	X	X	X	X
Article 5: Other measures to enhance impartiality, non-discrimination and transparency										
5.1 Notifications for enhanced controls or inspections	X					X	X	X		X
5.2 Detention	X	X			X	X	X	X	X	X
5.3 Test procedures					X	X	X	X		X
Article 6: Disciplines on fees and charges imposed on or in connection with importation and exportation and penalties										
6.1 General disciplines on fees and charges imposed on or in connection with importation and exportation			X		X	X	X	X		X
6.2 Specific disciplines on fees and charges for customs processing imposed on or in connection with importation and exportation	X			X	X	X	X	X		X
6.3 Penalty disciplines	X	X			X		X	X	X	X
Article 7: Release and clearance of goods										
7.1 Pre-arrival processing			X				X	X	X	
7.2 Electronic payment					X		X	X		X
7.3 Separation of release from final determination of customs duties, taxes, fees and charges	X	X			X	X	X	X	X	X
7.4 Risk management				X			X	X		X

	Bahrain	Egypt	Jordan	Kuwait	Morocco	Oman	Qatar	Saudi Arabia	Tunisia	United Arab Emirates
7.5 Post-clearance audit				X	X		X	X		X
7.6 Establishment and publication of average release times	X				X		X	X		
7.7 Trade facilitation measures for authorized operators					X			X		
7.8 Expedited shipments					X		X	X		X
7.9 Perishable goods	X			X			X	X		X
Article 8: Border Agency cooperation	X			X	X		X	X		X
Article 9: Movement of goods intended for import under customs control	X	X			X	X	X	X	X	X
Article 10: Formalities connected with importation, exportation and transit										
10.1 Formalities and document requirements	X		X		X		X	X		X
10.2 Acceptance of copies			X		X		X	X	X	X
10.3 Use of international standards	X				X	X	X	X		X
10.4 Single window			X	X			X			
10.5 Pre-shipment inspection	X	X				X	X	X	X	X
10.6 Use of customs brokers		X			X	X	X	X	X	X
10.7 Common border procedures and uniform documentation requirements		X			X	X	X	X	X	X
10.8 Rejected goods	X	X			X	X	X	X	X	X
10.9 Temporary admission of goods and inward and outward processing	X	X			X	X	X	X	X	X
Article 11: Freedom of transit		X		X	X	X	X	X	X	X
Article 12: Customs cooperation										
12.1 Measures promoting compliance and cooperation	X			X	X		X	X	X	X
12.2 Exchange of information				X	X		X	X	X	X
12.3 Verification	X			X	X		X	X	X	X
12.4 Request	X			X	X		X	X	X	X
12.5 Protection and confidentiality	X			X	X		X	X	X	X
12.6 Provision of information	X			X	X		X	X	X	X
12.7 Postponements or refusal of a request	X			X	X		X	X	X	X
12.8 Reciprocity	X			X	X		X	X	X	X
12.9 Administrative burden	X			X	X		X	X	X	X
12.10 Limitations	X			X	X		X	X	X	X
12.11 Unauthorized use or disclosure	X			X	X		X	X	X	X
12.12 Bilateral and regional agreements	X			X	X		X	X	X	X
