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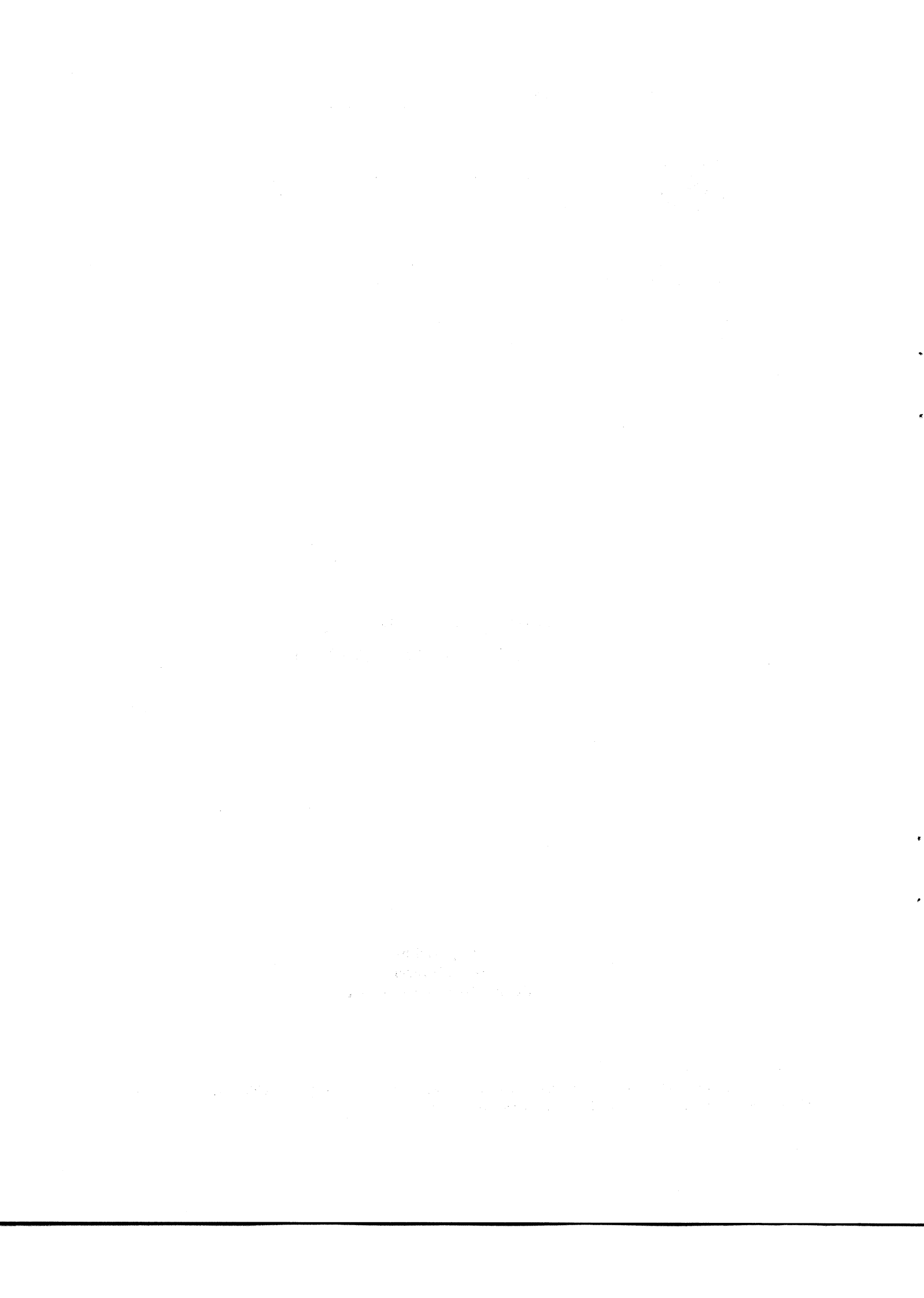
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**INFORMATION PAPER ON
TRADE FACILITATION**

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UNITED NATIONS CENTRE FOR THE FACILITATION OF PROCEDURES AND PRACTICES FOR ADMINISTRATION, COMMERCE AND TRANSPORT

Trade Facilitation

Introduction

International trade transactions generate a massive transfer of information along the trade, transport and payment chain. Trade facilitation involves all government regulations and all public-sector arrangements that affect international trade. To achieve greater efficiency and create effective customs and border-crossing procedures, procedural barriers to trade have to be identified and removed and the information requirements standardized. .

This is done by simplifying the procedures, encouraging the use of best business and administrative practices and applying information technology, especially electronic business applications such as *electronic data interchange* (EDI). Successful companies have found that to create effective supply chains, they need to revise their business methods to implement modern and effective information systems and trade facilitation techniques.

The United Nations Economic Commission for Europe (UN/ECE) has for decades been developing trade facilitation techniques, recommendations and norms, which have been implemented in numerous governmental and commercial sectors throughout the world. This work is based on user requirements from both private industry and Governments, the goal being to make international business simple and easy.

The scope of the UN/ECE's trade facilitation activities has gradually become global. Member States recognize that standards and procedures in international trade need to be global, not just regional, and countries from outside the region also find this work very useful. Member States also recognize that creating practical solutions to trading problems requires private-sector participation on a global scale.

This simplification of procedures and practices is led by the United Nations Centre for the Facilitation of Procedures and Practices in Administration, Commerce and Transport (UN/CEFACT). The Centre was created with the objective of bringing together all interested parties in order to develop a thorough, practical approach to the policy and technical areas of trade facilitation.

UN/CEFACT delegations, which are all treated as equals, include:

- United Nations Member States;
- private-sector associations recognized by the Economic and Social Council of the United Nations;
- inter-governmental organizations and other United Nations bodies.

The main objective of the Centre is to improve the ability of business, trade and administrative organizations to exchange products and relevant services effectively. This, in turn, will stimulate the growth of global commerce.

A key objective is to develop and promote simple, transparent, effective, processes for global commerce, thus benefiting enterprises and governments alike. Among the benefits are:

- simplified procedures
- integrated supply chains
- reduced trade cycle times
- streamlined business
- lower costs.

PUBLIC AND PRIVATE-SECTOR COOPERATION

The working methods are designed to meet the needs of business. In the working groups, a large number of private-sector technical experts work together with experts from government administrations. This expert participation, together with the private sector's participation at a policy level, is a unique feature of the Centre, which is forging new cooperative relationships between private business and public organizations.

THE RECOMMENDATIONS

The results of the Centre's work are encapsulated in recommendations for best practices and in standards for process-related information. The best known recommendations are: the UN Layout Key for documents, UN Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT), and the UN Location Code (UN/LOCODE) for identifying trading locations around the world. The UN/ECE has to date issued 26 trade facilitation recommendations on how to eliminate cumbersome trade procedures and then simplify, harmonize and standardize the remaining procedures and data. This not only facilitates traditional, paper-based trade but also is a prerequisite to computerization and the use of related techniques such as electronic data interchange. Contradictory procedures cannot be computerized and the automation of unharmonized procedures and data leads to incompatible systems that cannot communicate with each other. Such problems are eliminated when trade facilitation principles are applied prior to automation.

The UN Layout Key

The UN Layout Key is a guideline for designing documents, which allows the use of rationalized methods for preparing documents where information is typed only once for a full set of export documents. Today, as a reflection of the increasing automation of trade data flows, the UN Layout Key is also used by information systems for converting data records to printed output or in the screen displays used for data entry.

Much of the world's trade and data exchange still takes place on paper. The Centre, therefore,

continues to develop recommendations based on the Layout Key for the design of key international trade documents such as bills of lading, invoices, purchase orders and dangerous goods transport declarations.

Well-known documents based on the Layout Key include: the European Union's Single Administrative Document, the General System of Preferences Certificate, the International Air Transport Association (IATA) airway bill and the International Bill of Lading. In addition, many countries have based some or all of their national administrative documents on the Layout Key. Among these countries are Canada, China, France, India, Japan, Philippines, Singapore and Tanzania.

UN/CEFACT's work programme includes the development of electronic equivalents for all the major aligned paper documents.

OTHER RECOMMENDATIONS

Another well-known recommendation is the UN Location Code (LOCODE), which includes codes for over 26,000 specific locations around the world where international trade takes place. These codes are widely used by companies in the banking, tourism and transport industries, as well as by statistical agencies. Some other UN/CEFACT recommendations include the Country Code, which has been adopted by the International Organization for Standardization (ISO), Shipping Marks which are used almost universally within the shipping industry, Units of Measure, and Guidelines for the agreements between organizations that wish to exchange information using EDI.

ELECTRONIC BUSINESS

Based on constantly advancing telecommunications and computer technology, electronic trading and electronic commerce are rapidly becoming commonplace. For the majority of these activities, which are business-to-business exchanges, EDI is fundamental. "Electronic commerce" is often used to refer to consumers buying from businesses via the Internet and the Web), even though this is only one part of the overall picture. The Web provides a human to computer interface for the manual entry of data for one transaction at a time. This is suitable for consumer to enterprise transactions but when businesses communicate with one another, or with an administration, the data to be exchanged often is of a large volume and already exists in one of their computers. In this case, of business-to-business communications, EDI is the most effective electronic commerce technology.

UN ELECTRONIC DATA INTERCHANGE FOR ADMINISTRATION, COMMERCE AND TRANSPORT (UN/EDIFACT)

The UN/ECE has developed, and maintains, the only international standard for EDI: the UN Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT). Today, there are over 150 UN/EDIFACT messages covering many domains of private and public-sector interest. The UN/ECE is already looking towards new technologies and working to develop the next generation of EDI

standards, which are expected to be based on new approaches to both data representation and its exchange.

Widely used in international trade, UN/EDIFACT has been adopted and implemented by the European Union and by many countries, including Australia, Brazil, Japan, the Republic of Korea and Singapore. It is also the preferred EDI standard within the United States Government.

Other major users of UN/EDIFACT include:

- Banks who are members of the Society for World-wide Interbank Financial Telecommunications (S.W.I.F.T.) and who use it for communication between themselves and customers;
- The International Article Numbering Association (EAN) and over 13,000 retail and wholesale companies belonging to their national member associations;
- The international electronics industry: for example, IBM, HP and DEC;

The shipping industry, supported by the International Chamber of Shipping (ICS);

- The International Air Transport Association;
- Customs administrations, as the agreed upon EDI standard for 150 countries belonging to the World Customs Organization;
- National statistical administrations and central banks for the exchange of statistical data among themselves and with organizations like Eurostat;
- The International Monetary Fund and the Bank for International Settlements;
- A variety of national administrations use UN/EDIFACT in areas including education, transport, healthcare and taxation;
- The international Continuous Acquisition and Logistics Support (CAL S) community.

Further, a really powerful combination exists when the Internet WWW and EDI are integrated. One example of this is WEB EDI where electronic forms are created for entering data on the WWW. Subsequently, the data entered into the form are automatically translated into a UN/EDIFACT message for sending. The two technologies complement one another, giving consumers an easy to access and use interface while providing data to companies in the same global format that they use with their business customers and suppliers.

INTERNATIONAL PARTNERSHIPS

In a world of increasing liberalization, trade facilitation has become almost indispensable for improving trade performance. Larger and larger trading areas are being created, with enormous economic power and this proliferation of trading areas could result in regional procedures and a variety of overlapping and different agreements for improving trade procedures. The national or regional use of different procedures and standards can create barriers to trade. Thus, the full benefits of trade facilitation can be achieved only through worldwide partnership and cooperation. Consequently, for some years now, the UN/ECE has been giving high priority to international partnership, communications and coordination.

The creation of UN/CEFACT has provided an opportunity to renew and enlarge existing partnerships with organizations that have provided a wide range of expertise to our work for many years, including: the World Customs Organization (WCO), the International Organization for Standardization (ISO), the International Article Numbering Association (EAN) and the Society for Worldwide Interbank Financial Transactions (S.W.I.F.T.).

In addition, we have also been strengthening our collaboration with the other UN regional commissions, in particular with the Economic and Social Commission for Asia and the Pacific (ESCAP) and the Economic and Social Commission for Western Asia, as well as with the United Nations Conference on Trade and Development (UNCTAD), the International Trade Centre (ITC) and the United Nations Commission on International Trade Law (UNCITRAL). Several joint projects with UNCTAD have been particularly fruitful, including the revision of UN/CEFACT Recommendations and awareness-raising activities. In addition, the legal work programme has benefited from the active participation of UNCITRAL.

With regard to standardization, the UN/ECE enjoys a close relationship with the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). All three organizations are signatories of a Memorandum of Understanding that establishes a framework for a highest level of cooperation and coordination in their work on Electronic Business. International industry groups as CALS are also participating. The results of this cooperation are reflected in a number of joint groups and ISO's endorsement of the basic standards underlying UN/EDIFACT.

Facilitating trade means facilitating "legitimate" trade. It is not the purpose of trade facilitation to make it easier for "illegitimate trade." For this reason, the UN/ECE maintains close links with the World Customs Organization and the UN Office for Drug Control and Crime Prevention. Our conviction is that facilitating legitimate trade will free resources to focus on crime and drug prevention.

Further information on Trade Facilitation can be obtained from:

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