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**STRENGTHENING THE ROLE OF TRADE FACILITATION
WITHIN UN/CEFACT - A SUGGESTED APPROACH**

Submitted by the Chairman of the UN/CEFACT International Trade Procedures Group- TBG 15 *

* The present document is submitted by the Chairman of the UN/CEFACT International Trade Procedures Group (TBG 15) to the Tenth Plenary Session of UN/CEFACT for discussion and possible decision-making.

Letter from the Chairman of the UN/CEFACT International Trade Procedures Group (TBG15)
to the UN/CEFACT Chairman

17 December 2003

Dr. Christian Frühwald
Chairman UN/CEFACT

Dear Dr. Frühwald,

The International Trade Procedures Working Group–TBG15 reviewed the UN/CEFACT Management Structure Recommendations, document number CEFACT/2003/CSXXX dated November 20 2003, at its meeting of 15-16 December 2003. It is clear from this well documented paper that UN/CEFACT has very important decisions to take regarding its future structure. However, the members of the ITPWG-TBG15 noted that the document does not provide specific detail on the composition of the UN/CEFACT Groups, and neither is there any specific mention of the formation of a new Group for Trade Facilitation, namely the Trade Facilitation Group as requested in our paper ITPWG-TBG15 UN/CEFACT/2003/PG03, dated 17 September 2003. As you are aware, this paper was prepared by the ITPWG-TBG 15 for consideration at the first meeting of the UN/CEFACT Policy Group in October 2003, but unfortunately was not discussed.

In the spirit of co-operation and with the intention of informing the decision making process, the ITPWG-TBG15 wish to bring our paper to your attention once again and request you to forward it to the UN/CEFACT Plenary for consideration at its March 2004 meeting. To this end, I have requested the Secretariat to make a provision for the paper in the draft Plenary Agenda for 2004. Essentially, the ITPWG-TBG15 believes that trade facilitation must be the main focus and deliverable of UN/CEFACT. Our paper reviews the current environment for trade facilitation standards, policy and implementation, which we see as very vibrant. We believe that there is a clear demand in this environment for input from international organizations that have a broad experience and mandate in international trade facilitation. This represents a real opportunity for UN/CEFACT, with its well established intergovernmental working party structures and models for global standards development and agreement.

In order to realise this opportunity and to fulfil the goals and objectives of UN/CEFACT, the ITPWG-TBG15 proposes the establishment of a new Trade Facilitation Group (TFG) within the UN/CEFACT Forum. This new Group should be at the same level of the existing Groups (ATG, ICG, LG, TBG and TMG). Initially this Group should comprise the existing ITPWG-TBG15 focusing on trade facilitation procedures. A dialogue should then be initiated with other UN/CEFACT Groups and Working Groups to consider the inclusion of other core areas of trade facilitation such as policy, process modelling and implementation. Specific suggestions are made in the paper.

We hope and believe that the approach to Trade Facilitation outlined in the paper will advance and strengthen the role and application of trade facilitation within UN/CEFACT and look forward to the inclusion of this proposal in the final UN/CEFACT Structure.

With best regards

Gordon Cragge

Gordon Cragge
Chair, ITPWG-TBG15

1. INTRODUCTION AND PURPOSE

The UNCEFACT Plenary Session in May 2003 considered the subject of strengthening and expanding the role of trade facilitation within UN/CEFACT. Several possible approaches were discussed and, given the importance of the topic, the Chairman decided to call a 2-day meeting of the UN/CEFACT Policy Group for July 17 and 18 2003 to develop a comprehensive and strategic approach to this important issue.

Following this decision, the International Trade Procedures Working Group – TBG15 (ITPWG-TBG15) decided at its May meeting to prepare a discussion paper outlining proposals for strengthening and expanding the role of trade facilitation within UN/CEFACT, covering the priority needs of trade facilitation policy, procedures, process analysis and promotion. This paper presents the ITPWG-TBG15 proposals.

2. THE NEW ENVIRONMENT FOR TRADE FACILITATION

The conceptual thinking around trade and transport facilitation has changed radically in recent years. While once considered a back-room technical issue, trade facilitation has now emerged as a critical element of trade and economic policy. This is due to several factors including:

- Implementation of trade facilitation measures is now arguably more important than tariff reduction as a policy tool for trade development - following many years of multilateral trade liberalization and tariff reductions under the General Agreement on Tariffs and Trade;
- Continuous developments in containerisation have led to a massive improvement in the speed and manner in which cargo can be shipped across continents;
- The increasing importance of Global Supply Chains and just-in-time inventory techniques have led to a far greater demand for predictable trade procedures and processes;
- The increasing development of e-business has put greater pressure on faster delivery times across countries;
- Current concerns regarding trade security have refocused many governments' attention on trade facilitation;

The emergence of trade facilitation as a major trade policy issue is evidenced by the fact that it is a key issue for negotiation in the WTO Doha Development Round. The inclusion of trade facilitation in the Round has led countries to re-examine their current trade facilitation strategies and procedures in order to take advantage of the latest developments in this field but also, and importantly, to better position themselves for any possible outcome related to a strengthened inclusion of trade facilitation within the WTO.

The United Nations approach to trade has also placed greater emphasis on sharing the gains of globalisation and the full, equitable and open participation of all countries in trade, for the benefit of all. For example, UN Millennium Development Goal 8, focuses on the establishment of a global partnership for development. Specifically, the goal is to “develop further an open trading and financial system that is rule-based, predictable and non-discriminatory and includes a commitment to good governance, development and poverty reduction – both nationally and internationally”¹. Clearly, trade facilitation work within UN/CEFACT must reflect this focus.

There is also an increased emphasis on the sustainable development aspect of trade facilitation. Within this context, trade facilitation must be conceived and implemented within a global cost benefit framework, facilitating trade, but at the same time conserving the earth's scarce resources.

Another important trend is the shift in emphasis from the development of trade facilitation technical instruments to the implementation of existing recommendations, tools and techniques, especially in many transition and developing countries. Within this context, it is clear that the models established for the developed economies of Europe and North America may not be readily transferable to, or meet the priorities of, other economic environments.

¹ UN Millennium Development Goals, www.un.org/millenniumgoals, October 2002

In the area of trade security, trade facilitation can be seen as a tool, which, if properly applied, could greatly enhance both the efficiency and security of the international trading system. Further implementation of advance information and risk management techniques fit well within the Reference Model of the International Supply Chain developed by UN/CEFACT and further enhancement of this model as well as the International Trade Transaction model would be most beneficial, particularly at the conceptual level for policy development and implementation.

Several international trade related organisations have significantly increased their work in and focus on trade facilitation in recent years. For example, the WCO has opted for a supply chain approach to trade facilitation and security, taking a far broader view of the supply chain than just Customs. Other organisations, such as the United Nations Industrial Development Organisation (UNIDO), have also shown increased interest in the trade facilitation area. Given its resource base, it will be a real challenge for UN/CEFACT to define and pursue its market niche and role within this expanded market to ensure value added and avoid duplication of effort with other agencies.

Further, regional and sub-regional cooperation has been both deepening and expanding. This is likely to continue and intensify in the years to come. This broadens the scope and enhances the benefits of integrated customs, trade and transport facilitation solutions. Within this environment, the UN Regional Commissions can play an increasingly important role in developing both a regional and transregional approach to trade facilitation. Such regional approaches are especially important when considering issues such as authorized supply chains stretching across several countries and regions.

The challenge for UN/CEFACT is to provide practical instruments, tools and models that can be used by governments and the trade community for the development and implementation of an integrated approach to trade facilitation along the entire international supply-chain. This requires a multidisciplinary, cross-sectoral approach to optimise trade, transport, finance and related procedures and services and includes the application of appropriate information and related technologies as part of the enabling environment.

3. THE UN/CEFACT FORUM, TRADE FACILITATION AND RESOURCES

Note: Throughout this paper, the term “Group” refers to the higher-level structures within the UN/CEFACT Forum (ATG, TBG, etc), while the term “Working Group” refers to the working groups (e.g. TBG 15, etc) within each of these Groups.

The UN/CEFACT Forum, which meets twice annually, is the joint meeting of all of the empowered Groups and Working Groups within UN/CEFACT. Currently, there is only one Working Group within the Forum, namely the International Trade Procedures Working Group (ITPWG-TBG15), where trade facilitation (as opposed to e-business) is the main activity. It is thus clear that despite the best intentions of all concerned, e-business activity currently dominates the work of the Forum. This is undesirable within an organization where trade facilitation is, in theory at least, the driving force and overall framework in which the work of UN/CEFACT is undertaken.

As discussed in Section 2, the need for trade facilitation in international trade has grown significantly in recent years. This opportunity must be fully grasped by UN/CEFACT. It is also clear that there is a strong relationship between trade facilitation and e-business, the joint application of which has brought about fundamental improvements to the operational efficiency of international trade transaction chains. This integration of trade information, e-business and trade facilitation is now more important than ever in the context of the increased focus on trade security and the greater emphasis on the provision of advance cargo information and risk assessment, all of which depend critically on the speedy and efficient flow of information.

The challenge for the UNECE Secretariat and UN/CEFACT in this environment is to determine how best trade facilitation work can be deepened and expanded to meet the afore-mentioned needs, challenges and opportunities and how the linkages between trade facilitation and e-business can be maintained and strengthened within an effective working structure. A possible structure in which this can be achieved is considered in the following section.

4. PROPOSED NEW STRUCTURE FOR TRADE FACILITATION WORK IN UN/CEFACT

Currently, the environment for trade facilitation standards, policy and implementation is very vibrant and there is a clear demand for input from international organisations that have a broad experience and mandate in international trade. This represents a real opportunity for UN/CEFACT, where the intergovernmental working party structure is a well-established model for global standards development and agreement.

In order to realise this opportunity and to fulfil the goals and objectives of UN/CEFACT, the ITPWG-TBG15 proposes that a new Trade Facilitation Group (TFG) be established within the UN/CEFACT Forum. This new Group should be at the same level of the existing TBG, ATG, etc Groups. It is further proposed that this new Group should focus on the core areas of trade facilitation policy, procedures, process modelling and implementation. Working Groups should be established within the new TFG to cover the work requirements in each of the aforementioned areas.

Consideration should be given to moving appropriate elements of the existing Business Process Analysis Working Group – TBG14 to the TFG in order to address and model the trade facilitation and business process issues. In addition to the obvious linkage between trade facilitation and business processes, this structure would ensure that the two over-arching groups within UN/CEFACT (trade facilitation and business processes) were fully integrated and positioned to provide overall guidance, direction and support to UN/CEFACT work. However, it is clear that this proposal will require consultation with the TBG leadership and TBG 14 members before any comments are made.

It is also suggested that relevant experts from other appropriate Groups and Working Groups within the Forum (such as the Supply Chain Domain – TBG1, Transport Group – TBG2, Customs Domain – TBG4, Finance – TBG5, Environmental Management – TBG 13, Harmonisation – TBG17) be invited to join the new TFG Group. This could be on a project specific basis temporarily drawing resources from the other Working Groups or some existing projects and/or members of other Working Groups may fit better within the new TFG Group. However, it is emphasized that the e-business related work undertaken by these Working Groups in UN/EDIFACT message maintenance and related areas, and the work on the development of core components for ebXML and related technologies, would remain within the existing Forum Groups and Working Groups and would NOT be undertaken by the TFG.

The specific focus of each of the proposed Working Groups within TFG would be as follows:

Trade Facilitation Policy Working Group (TFPWG): This Working Group should focus on the development of high-level policy papers for consideration by governments and trade. Such papers could include approaches to the incorporation of trade facilitation standards within the WTO; the potential role of the TFG and UN/CEFACT in providing technical expertise to WTO within a rules based trade facilitation scenario, should such an arrangement be agreed by WTO member States; strategies and approaches to trade facilitation and security; approaches to trade facilitation implementation for transition and developing economies; trade facilitation and sustainable development; facilitating trade in services; etc. In addition, the TFPWG should support the provision of an open international platform for an open exchange of views on trade facilitation issues and the development of constructive initiatives, particularly with respect to the concerns and priorities of UNECE member States with economies in transition and other special country groupings such as the Balkan and the Euro-Mediterranean Partnership (MEDA) countries.

A broad participation of governments, trade and international organizations would be essential in this work in order to provide credibility and legitimacy. It is particularly important the UN Regional Commissions be involved in this process. A broad level of participation would also help to avoid any duplication of effort between the TFPWG and other organizations.

It is suggested that the TFPWG would replace the current UN/CEFACT Policy Group.

International Trade Procedures Working Group: The development and maintenance of trade and transport facilitation Recommendations and best practice is a core strength of UN/CEFACT. This work should continue within the existing ITPWG, which would be transferred to the TFG. Work within this Working Group should include development of new Recommendations in areas such as trade security, an e-UN Layout Key, benchmarking, and legal aspects of trade facilitation and electronic business, the development of guides, tools and techniques for trade facilitation implementation, and the maintenance of existing Recommendations.

Trade Facilitation Business Process Analysis Working Group: The development of best practice business processes for international trade is a core work of UN/CEFACT related to trade facilitation. This work is currently undertaken by the BPAWG-TBG14 and, as suggested above, it is recommended that the relevant section of this Working Group be moved to the TFG to continue its current work. This Working Group would also be responsible for the further development of the UN/CEFACT International Supply Chain Reference Model to cover security issues, trade policy implementation, advance information, risk analysis, the potential availability of the Unique Consignment Reference Number (UCR), etc. Once developed, the models should also be used to drive the rationalisation of the underlying trade procedures.

Trade Facilitation Implementation Working Group: UN/CEFACT has no existing financial resources for direct implementation of trade facilitation recommendations and instruments. Consequently, any proposals for trade facilitation implementation projects would have to be matched with the appropriate resources to deliver the projects. This will be a real challenge for the Working Group. One area where the Working Group could, perhaps, be effective with limited resources is in the research and development of effective models for capacity building and implementation, exploring, for example, case studies on successful models of public-private sector partnerships in this area. The Working Group could also develop appropriate guidelines and models for trade facilitation implementation.

5. RESOURCES

Although some of the existing ITPWG-TBG15 and BPAWG-TBG14 resources could be transferred to the new TFG, populating the Group and the individual Working Groups with an adequate level of suitable experts will be a real challenge. This will be particularly important in order to ensure that the TFG can deliver relevant Recommendations and other outputs at a sufficient speed to address the needs of business in a fast changing trade environment.

It is the view of the ITPWG that if the new TFG is given sufficient profile and support within UN/CEFACT, and if the new Group is properly positioned and promoted to the relevant stakeholders, these resources will be forthcoming.

It will be particularly important to attract a high profile Chair for the TFG and it will also be essential that the new Group clearly identifies its market niche and states clearly its agenda in the area of trade facilitation.

6. SUMMARY AND CONCLUSIONS

It is clear that the overall approach to trade facilitation in UN/CEFACT should be revamped and strengthened. The ITPWG-TBG15 suggests that this can best be achieved through the establishment of a new Trade Facilitation Group within the UN/CEFACT Forum, focussing on trade facilitation policy, procedures, processes and implementation.

Notwithstanding the above, it is clear that the link between trade facilitation and e-business is now more important than ever, especially with the increased emphasis on information flows within a trade security context. Consequently, it is essential to maintain an active and integrated link between trade facilitation and e-business (or the underlying technology and processes that facilitate trade).
