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**TRADE FACILITATION STRATEGY**

**AND ACTION PLAN FOR 2005 - 2007**

Prepared by  
UN/CEFACT Bureau Task Force on Trade Facilitation Strategy\*/

**DOCUMENT FOR APPROVAL**

**Summary**

This document presents the UN/CEFACT Trade Facilitation Strategy and Action Plan for 2005-2007. It includes the main areas of focus and details the specific work items that will be undertaken.

\*/ The UNECE Trade Development and Timber Division has submitted the present document after the official documentation deadline due to resource constraints.

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### LIST OF ABBREVIATIONS

GATT	General Agreement on Tariffs and Trade
GFP	Global Facilitation Partnership for Trade and Transport Facilitation
ISO	International Organization for Standardization
ITC	Inland Transport Committee
SME	Small and Medium Enterprises
UN	United Nations
UN/CEFACT	United Nations Centre for Trade Facilitation and Electronic Business
UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nations Economic Commission for Europe
UN/EDIFACT	United Nations Electronic Data Interchange for Administration, Commerce and Transport
UNLK	United Nations Layout Key
WCO	World Customs Organization
WTO	World Trade Organization

## **1. INTRODUCTION**

1. This document presents the UN/CEFACT Trade Facilitation Strategy and Action Plan for 2005-2007. It includes the main areas of focus and details the specific work items that will be undertaken.

## **2. UN/CEFACT VISION AND MISSION**

2. UN/CEFACT's Vision is "Simple, Transparent and Effective Processes for Global Commerce." The mission of UN/CEFACT is to improve the ability of business, trade and administrative organizations, from developed, developing and transitional economies, to exchange products and relevant services effectively. Its principal focus is on facilitating national and international transactions, through the simplification and harmonization of processes, procedures and information flows, and so contribute to the growth of global commerce.<sup>1</sup>

3. UN/CEFACT's mission supports UN Millennium Development Goal 8 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"<sup>2</sup>.

4. Through the participation of government and business representatives from around the world, UN/CEFACT has developed trade facilitation and e-business international standards, recommendations and tools<sup>3</sup> that are approved within a broad intergovernmental process and implemented globally. This work complements and supports the work of the UNECE Committee on Trade, Industry and Enterprise Development CTIED<sup>4</sup>.

## **3. UN/CEFACT'S DEFINITION OF AND APPROACH TO TRADE FACILITATION**

5. Although clearly desirable from a business (and economic) development perspective, trading internationally is a complex, expensive and sometimes risky venture. It involves several parties and includes processes such as establishing the sales contract, agreeing terms of payment, arranging finance and insurance, packaging and labelling the goods for shipment, arranging transport, handling the extensive customs and other formalities and controls, paying duties and taxes, delivering the goods to the consignee, and making/collecting payment.

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<sup>1</sup> Mandate, Terms of Reference and Procedures for UN/CEFACT, TRADE/R.650/Rev.3, 18 August 2004

<sup>2</sup> UN Millennium Development Goals, [www.un.org/millenniumgoals](http://www.un.org/millenniumgoals), October 2002

<sup>3</sup> Trade Facilitation standards, recommendations and tools are often collectively referred to as Trade Facilitation instruments. The two phrases are used interchangeable through out this document.

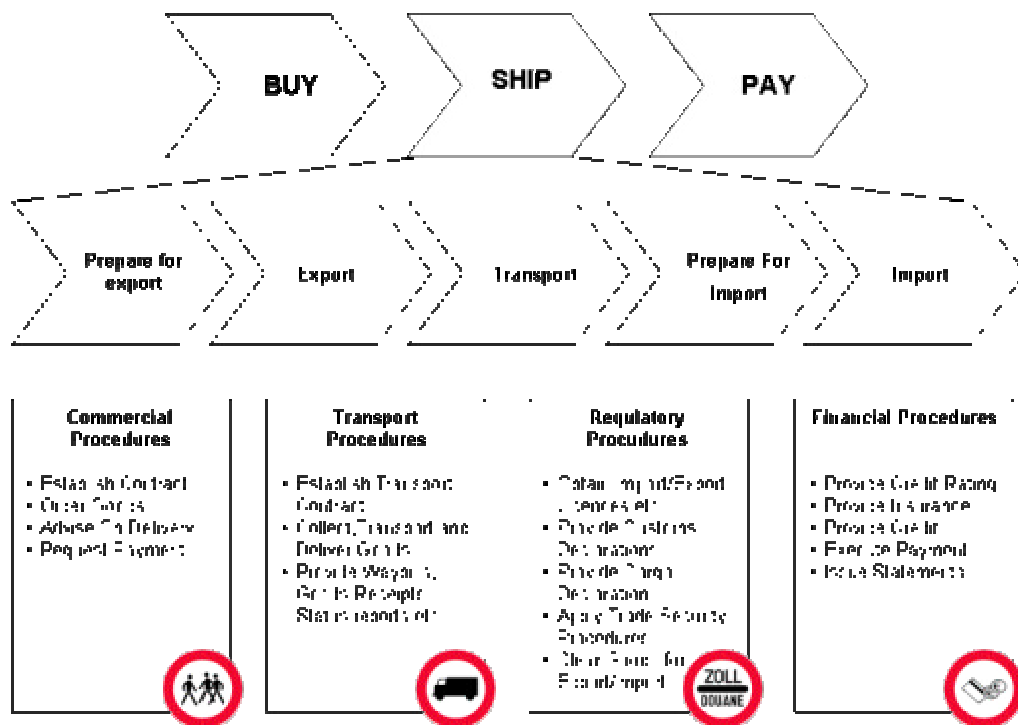
<sup>4</sup> The Committee on Trade, Industry and Enterprise Development (CTIED) is the intergovernmental body responsible for all UNECE activities related to trade, industry and enterprise development. It reviews and approves a programme of work that includes the work of all its subsidiary bodies.

6. **Figure 1** illustrates the three main transactions in the international trade process, "Buy", "Ship" and "Pay". These transactions encompass the processes associated with:

- buying and selling;
- delivering the goods; and
- settling the accounts.

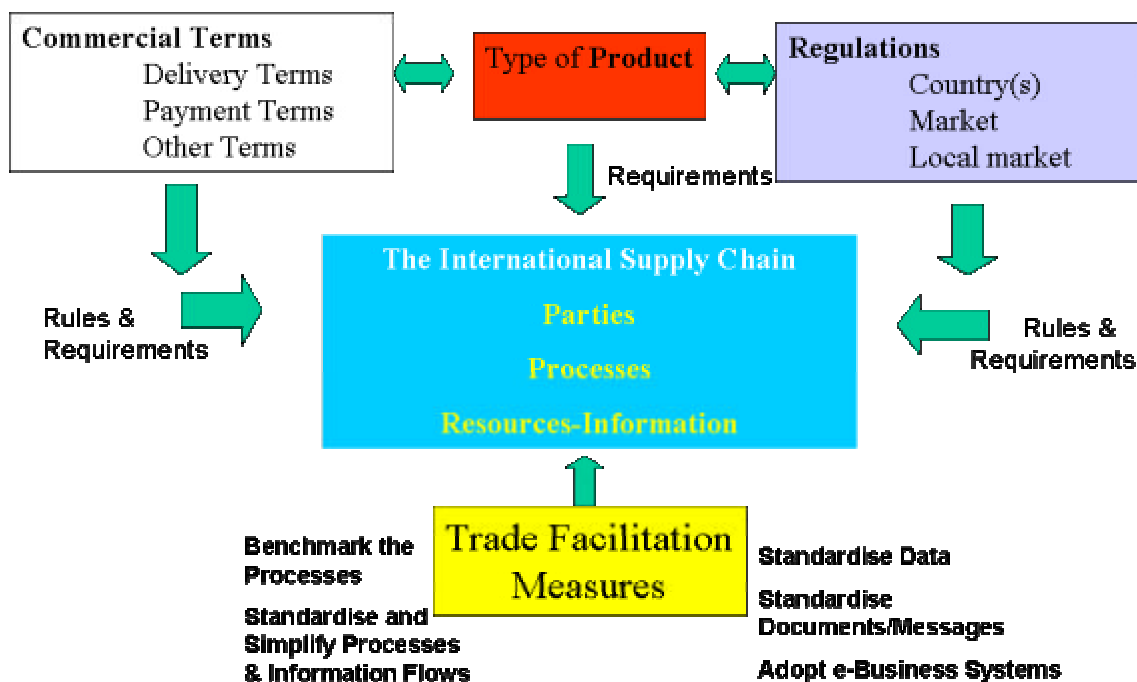
7. The "Ship" process is the most complex of the three and comprises five more detailed transactions associated with preparing and carrying out the import, export and transport procedures. The entire international transaction may be seen as involving Commercial, Regulatory, Logistical and Financial processes. The main procedures involved in these are also shown in the figure.

**Figure 1 International Trade Transaction Process**



8. *Figure 2* shows the main factors influencing the international trade process. These processes are determined primarily by the commercial terms of business, product characteristics and individual countries' rules and regulations, including trade security considerations that affect the physical processes as well as the information flows that support them.

*Figure 2 Facilitating International Trade*



9. Trade facilitation aims to make these processes easier, more efficient and more cost effective.

This generally involves:

- simplifying and harmonizing overall trade procedures (and where possible and desirable, the elimination of unnecessary ones);
- simplifying, standardizing and harmonizing the many documents required for a trade transaction;
- simplifying and co-ordinating administrative procedures at border crossings, especially those related to Customs but also including other agencies such as Health, Safety and Security;
- enhancing the flow of information that controls the goods throughout the transaction process (through the application of information and communication technology, the standardization of electronic data elements, etc);
- simplifying payment systems to ensure that the transaction is completed and the seller gets paid<sup>5</sup>.
- enhancing trust assessment through a better exchange of information.

<sup>5</sup> Improvements in the transport infrastructure are also an important element in reducing the transaction cost of trade, and a combined trade and transport approach to facilitation is clearly desirable. However, UN/CEFACT focus on some of the procedural and information flow elements of transport while overall transport procedures and infrastructure is handled by UNECE's Transport Division and the associated committees, such as the Inland Transport Committee (ITC).

10. Applying this total trade transaction approach, UN/CEFACT defines trade facilitation as “the simplification, standardization and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make payment”<sup>6</sup>. Within this definition, procedures are the activities, practices and formalities required for the movement of goods in international trade. Information flows include both data and documents. This view of trade facilitation encompasses both the cross border and other processes involved in international trade as already described.

11. The complexity and cost of the trade transaction process deters many potential exporters and importers, and especially small and medium enterprises, from entering the global market place. This is especially the case in developing and transition economies, particularly landlocked countries and countries distant from their main markets. UN/CEFACT's standards, recommendations and tools can assist countries and companies to overcome these constraints.

#### **4. THE CURRENT ENVIRONMENT FOR TRADE FACILITATION**

12. Negotiations over the past decades through the General Agreement on Tariffs and Trade (GATT) and the World Trade Organisations (WTO) have focused on the reduction of trade tariffs. Now that these tariffs have been significantly reduced worldwide, the focus has shifted to non-tariff barriers to trade, such as complex procedures, non-tariff duties and fees, and lack of transparency. As already discussed, trade facilitation aims to simplify and harmonise trade procedures and the associated information flows and has thus emerged as an important economic and trade development policy issue. In particular, there is an increased awareness of its impact on competitiveness and market integration.

13. Current trends in international trade have also increased the need for trade facilitation. Examples include:

- just-in-time delivery
- increasing use of air cargo
- development of multi-modal transport services
- emergence of global supply chains
- increasing use of outsourcing
- growth of the Internet and e-commerce.

14. While security has always been a consideration for trade, the focus has shifted in recent years from the threat to trade (piracy, fraud, theft, etc) to the threat from trade (for example, the possible delivery of a “dirty bomb” in a container into a port). This has resulted in the introduction of additional security procedures into the trade transaction process. Countries have the right, and the responsibility, to introduce measures to protect their citizens. However, these should take account of the overall impact on the business of trade, so as not to undermine economic activity and undo many of the trade facilitation advances made over the past 40 years. UN/CEFACT will actively contribute to the policy debate in this area in order to provide advice on the potential impact of proposed measures; to ensure that its existing instruments are fully utilized in the development of trade security initiatives; and to identify areas where new recommendations and standards may be required.

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<sup>6</sup> This definition was adopted from various documents issued by the predecessor of UN/CEFACT, the UNECE Working Party on Facilitation of International Trade Procedures (WP.4). UN/CEFACT has used this definition, or minor variations thereof, in most of its documents.

15. On the positive side, the threat to security can also act as a catalyst to accelerate the introduction of existing and new trade facilitation techniques such as risk assessment, authorized supply chains and advance cargo information. UN/CEFACT will take this opportunity to assist in the wider implementation of its instruments.

16. Many of the aforementioned trends, combined with current trade security measures and proposals, have greatly increased the need for international standards for trade documents and the availability of information in advance of shipping. An example of this requirement is the United States 24-hour rule requiring foreign countries to provide consignment information of exports destined for the United States 24 hours prior to the goods being laden on board a ship. Similar rules have been adopted by the European Union.

17. Trade facilitation is now an important issue for negotiation in the WTO Doha Work Programme<sup>7</sup>. These negotiations aim to clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 - containing provisions on goods in transit, fees and formalities for imports and exports and transparency issues. While this is a narrow focus, concentrating primarily on customs procedures and cross border issues, it is an important area for strengthening trade facilitation implementation. WTO Members will also consider the need for and approach to effective technical assistance and capacity building<sup>8</sup> for trade facilitation implementation in developing and least-developed countries.

18. These developments have led countries to re-examine their current trade facilitation needs, strategies and procedures. As a consequence, many countries new to trade facilitation are seeking guidance on the exact nature and extent of the subject and on existing tools and instruments available for implementation. Some countries have sought assistance in examining the value and cost-benefit involved in order to determine the relative importance of the issue within their overall development priorities. UN/CEFACT has a role to play in addressing these needs, both in the provision of standards, recommendations and other tools and in building capacity for their implementation.

19. This renewed interest in trade facilitation should help countries focus on the practical trade facilitation issues and concerns facing their trading community. These could include the need for transparency and predictability; without which trade facilitation can have little impact.

20. Capacity building to address these issues must be consistent with national requirements and priorities, defined through consultations and dialogue between government agencies and the business community and should build on existing international standards, conventions and recommendations, such as those developed by UN/CEFACT.

21. The following section of the document describes the work that UN/CEFACT will undertake over the period 2005-2007.

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<sup>7</sup> The Doha Work Programme is the current round of Trade Negotiations under the World Trade Organization. Trade Facilitation was formally included as a negotiating issue into this round in July 2005.

<sup>8</sup> Capacity building includes a range of technical and financial assistance provided by donor organizations to assist countries in improving trade infrastructure (ports, roads, etc) and implementing trade facilitation instruments and strategies.

## **5. TRADE FACILITATION PRIORITIES AND WORK PLAN 2005-2007**

22. The key areas of action for UN/CEFACT over the period 2005-2007 are as follows:

- Identify trade facilitation needs and priorities in countries and in individual trade sectors
- Develop new and maintain existing trade facilitation instruments
- Integrate UN/CEFACT's instruments into the current policy environment for Trade Facilitation
- Build capacity in countries for greater implementation of existing instruments
- Liaise with other relevant agencies
- Promote UN/CEFACT instruments

23. A summary of the proposed work of UN/CEFACT in each of these areas is presented below.

### **5.1 Identification of Trade Facilitation needs and priorities**

24. Identification of trade facilitation needs and priorities of governments and business and the development of suitable instruments to address these needs is a primary objective of UN/CEFACT. Needs identification is an ongoing process that is both proactive and reactive. UN/CEFACT will assess these needs on a regular basis through contacts with both governments and business organisations.

### **5.2 Develop and maintain new and existing instruments**

#### ***5.2.1 Existing Recommendations***

25. UN/CEFACT will continue its work to maintain and revise existing Recommendations. Recommendations currently being revised include:

- Recommendation 6            Aligned Invoice Layout Key
- Recommendation 12        Measures to Facilitate Maritime Transport Documents Procedures
- Recommendation 20        Codes for Units of Measure used in International Trade

#### ***5.2.2 New Recommendations***

26. The development of new recommendations and standards is an ongoing process within UN/CEFACT in response to market priorities as identified by trade and government participants in our working groups. The current priorities in this area are detailed below.

##### ***5.2.2.1 Standards for electronic documents for trade-UNeDocs***

27. UN/CEFACT will develop, publish and maintain a coordinated set of international electronic trade documents (UNeDocs) as a UN/CEFACT international trade document standard. This will include a comprehensive cross-domain data model, UN/EDIFACT and XML document structures, document presentation methodologies and box completion guidelines.



5.2.2.2 Development of a Recommendation on Standards for Single Window

28. As a follow up to the development and approval of UN/CEFACT Recommendation Number 33 - Recommendation and Guidelines on Establishing a Single Window<sup>9</sup> to enhance the efficient exchange of information between trade and government - UN/CEFACT will establish a working group of existing Single Window operators to look at standards to ensure interoperability between Single Windows. This work will likely result in development of a Recommendation on a set of standards for such facilities

**5.2.3 New Tools**

29. UN/CEFACT will develop the following new tools:

- **Guide to Trade Facilitation Implementation** that will incorporate a diagnostic approach to needs identification, utilising tools such as the World Bank Trade Facilitation Audit Methodology and the UN/CEFACT Modelling Methodology (UMM). The Guide will also include a revised, interactive version of the UNECE/UNCTAD Compendium of Trade Facilitation Recommendations, including all UN/CEFACT, UNECE and other relevant instruments.
- **Guide to Trade Facilitation Benchmarking** – explanatory Guide covering the basic principals, rationale and existing approaches to benchmarking
- **Summary of UN/CEFACT Recommendations**

**5.3 Integrate UN/CEFACT's instruments into the current policy environment for Trade Facilitation**

**5.3.1 Trade Facilitation within the WTO Framework**

30. UN/CEFACT will support UNECE in ensuring that its instruments are fully considered in the WTO negotiations on trade facilitation and are utilized to the fullest extent possible in any related outcome.

**5.3.2 Trade Facilitation and Security**

31. UN/CEFACT will promote the further development of information and documentary standards to support the advance presentation of cargo information, such as the United Nations Layout Key (UNLK), UNeDocs, the United Nations Directories for Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT) and the United Nations Code for Trade and Transport Locations (UN/LOCODE). The needs and requirements of industry and governments for standards related to supply chain security management will also be explored. Any work emanating from this will be driven by trade requirements and demands and will be coordinated with the World Customs Organizations (WCO) and other relevant organizations.

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<sup>9</sup> A Single Window is a Facility to allow parties involved in international trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export and transit related regulatory requirements. If information is electronic, then individual data elements should only be submitted once.

#### **5.4 Capacity Building**

32. As previously discussed, there has been a large increase in the number of countries seeking advice and assistance in implementing trade facilitation. Their needs range from the very basic to the complex and include such items as approaches to identifying overall trade facilitation needs and strategies, identifying bottlenecks, and implementing electronic trade document solutions and Single Windows.

33. Essentially, all of UN/CEFACT's instruments are tools for trade facilitation implementation. Given the current demand from countries new to trade facilitation, and also the experience gained in implementation over the past decades, UN/CEFACT will expand its range of tools, models and publications (See Section 5.2) 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.

34. Trade facilitation implementation is best achieved through a joint effort between government and trade. The classic approach to achieving this collaboration is through the formation of a trade facilitation Pro Committee (UN/CEFACT Recommendation Number 4). It is emphasized that the specific form of the Pro organization is far less important than its function and level of support (both financial and technical) from government and business.

#### **5.5 Liaison With Other Agencies**

35. UN/CEFACT will work with the many other organizations active in trade facilitation and will promote its work at all relevant meetings and events related to trade facilitation, wherever possible. In addition, UN/CEFACT members will attend such meetings as and when resources allow.

36. Further, UN/CEFACT will work with regional groups, such as the Asia-Pacific Economic Cooperation (APEC), in the development and implementation of trade facilitation instruments. UN/CEFACT will also liaise with all United Nations Regional Commissions and all other relevant UN and international, regional and national organizations and will seek stronger links with the UNECE's Inland Transport Committee.

#### **5.6 Promotion**

37. In addition to promoting the integration of its work into the WTO and other relevant agencies and initiatives, UN/CEFACT will develop a promotional brochure to cover all existing instruments. Further, the UN/CEFACT website will be enhanced.

## **6. RESOURCES**

38. The capacity of UN/CEFACT to carry out its work programme depends critically on its resources, particularly the participation of experts in the various Working Groups. UN/CEFACT's trade facilitation work in the area of trade procedures is primarily undertaken by the International Trade Procedures Working Group - TBG 15, which is currently a Working Group under the International Trade and Business Procedures Group (TBG) of the UN/CEFACT Forum. Specific plans will be developed to revise and expand the Group and working group structure for trade facilitation within UN/CEFACT to cover all the areas mentioned in this document.

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