Trade facilitation as a key to unlocking trade potential in LLDCs

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Expert group meeting on the regional implementation of the Vienna Declaration and Programme of Action for landlocked developing countries
30 November 2016
UNCC, Bangkok, Thailand

UNITED NATIONS
ESCAP
Economic and Social Commission for Asia and the Pacific

Agenda

1. Why Trade Facilitation important for LLDCs?

2. How to address trade facilitation

    -   A holistic approach covering at-the-border and behind-the-border matters
    -   Business Process Analysis for simplification of trade procedures
    -   Trade facilitation monitoring at Macro-level

3. What should be done to advance trade facilitation in LLDCs?

    -   Join the treaty on framework agreement on cross-border paperless trade.
    -   Explore the synergy of the Belt Road Initiatives (or OBOR)
    -   Establishment of Trade and Transport Facilitation Monitoring Mechanism (TTFMM)

Trade Facilitation and Sustainable Development Goals (SDGs)

"17.11 Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020 "

Why Trade Facilitation important for OBOR?
"Extraordinary claims require extraordinary evidence" - Carl Sagan

❖ *Trade facilitation makes trade cheaper and faster*

  ‣ Implementation of the WTO TFA – narrow trade facilitation - is expected to reduce global trade costs by 11% to 15% (OECD, 2014; based on ESCAP-World Bank Trade Cost Database).

Strong correlation between trade facilitation and trade costs
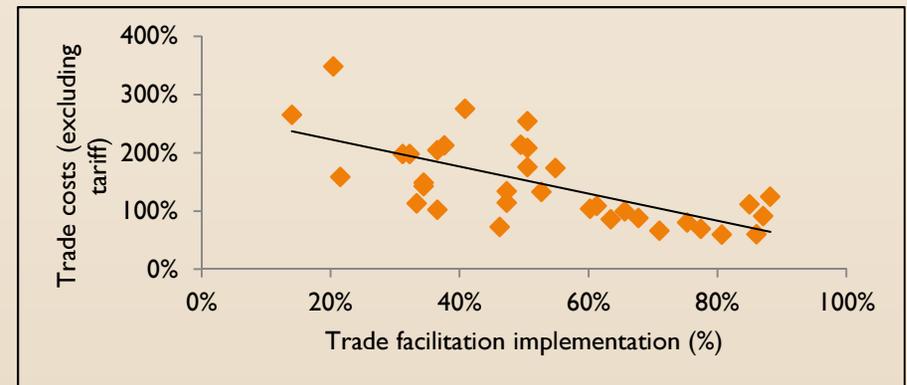
❖ *Trade facilitation generates new trade and employment*

  ‣ Peterson Institute estimates that trade facilitation reforms will expand global trade by as much as $ 1 trillion annually and generate 21 million jobs.

  ‣ ESCAP studies reveal that the potential export gains from cross-border paperless trade could be $250 billion annually.

❖ However, barriers for trade facilitation in LLDCs remain

  ‣ A study jointly carried out by ESCAP and Islamic Development Bank provides empirical evidence that some LLDCs corridors still face complex trade procedures. For instance, it typically takes 35 days to export fabrics from China to Kyrgyzstan involving over 20 trade procedures and over 20 actors.

Trade facilitation and trade diversification

Export diversification

Source: Dennis and Shepherd, 2007.

Export diversification vs. trade costs

bandwidth = .8

Source: Dennis and Shepherd, 2007.

An initiative of
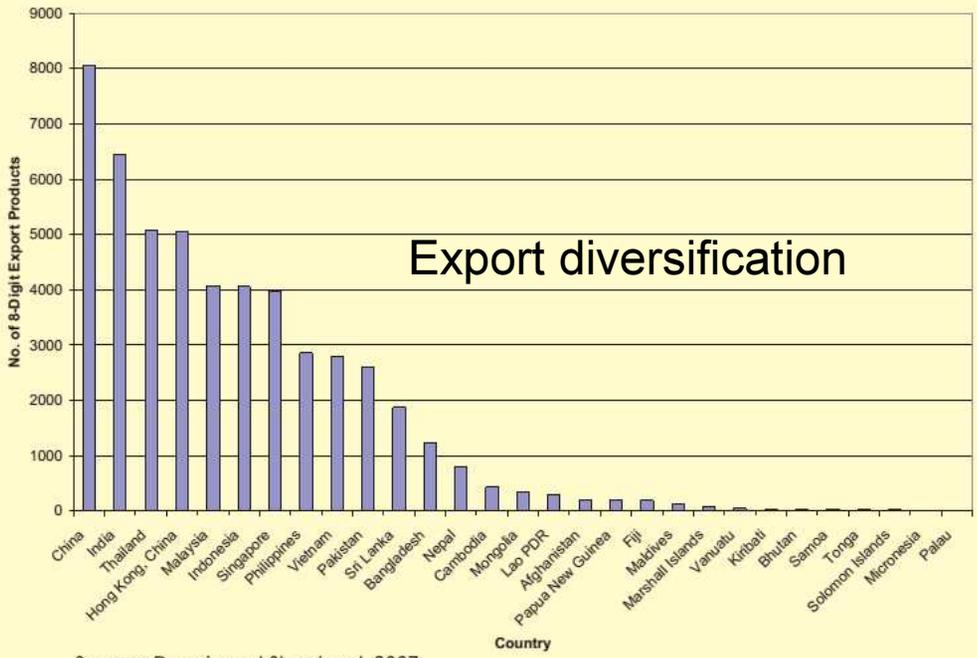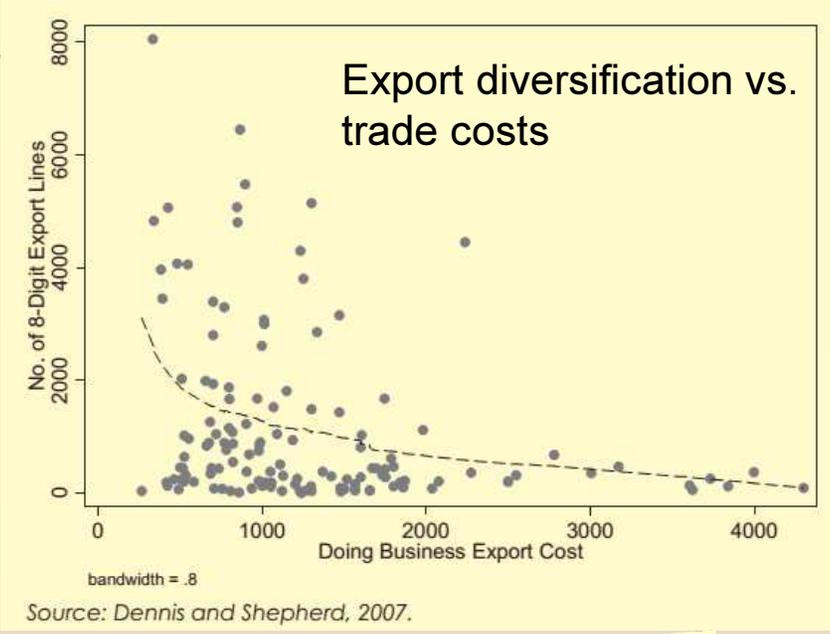
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UNITED NATIONS ESCAP
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Asia-Pacific Research and Training Network on Trade - www.artnetontrade.org - Tel: +66 2 288 1422 - Email: artnetontrade@un.org

## Enhancing export diversification through trade facilitation

Brief No. 19, May 2009

Ben Shepherd*

Trade facilitation has come to be widely recognized as ... reduce the costs of trading internationally. This is a much broader definition than the one used in the Doha Round negotiations, which largely focus on customs ...

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UN/CEFACT Buy-Ship-Pay Model

Supplier – Intermediary – Authorities – Customer

| Buy | Ship | Pay |

| Prepare for export | Export | Transport | Prepare for import | Import |
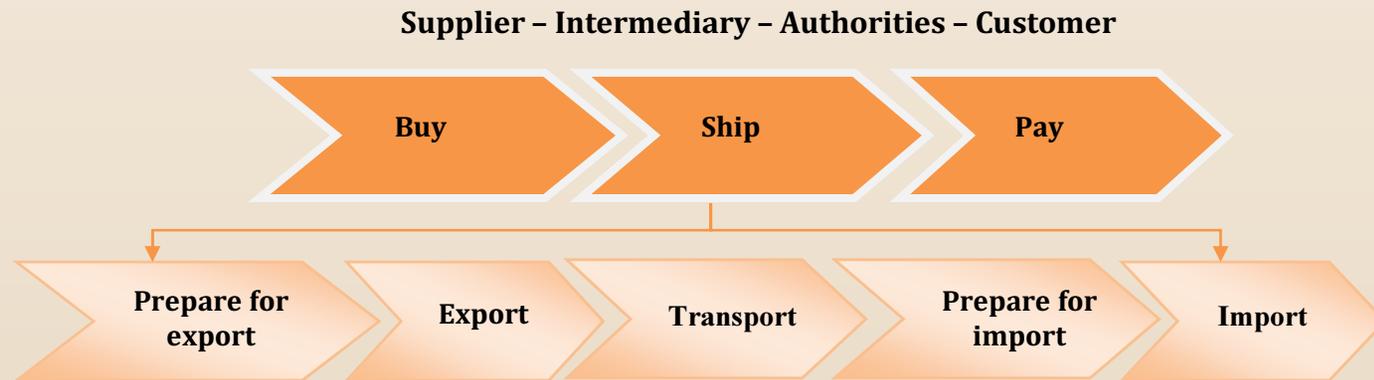
Commercial Procedures	Transport Procedures	Regulatory Procedures	Financial Procedures
• Establish contract • Order goods • Advise on delivery • Request payment	• Establish transport contract • Collect, transport and deliver goods • Provide waybill, gods receipt and status reports	• Obtain export/import licenses, etc. • Provide customs declaration • Provide cargo declaration • Apply trade security procedures • Clear goods for import/export	• Provide credit rating • Provide insurance • Provide credit • Execute payment • Issue statements

Source: UN/CEFACT Recommendation No. 18

UN/CEFACT: the United Nations Centre for Trade Facilitation and Electronic Business

tation: at-the-border, behind-the-border and beyond-the-border issues

1. Buy - Conclude sales contract and trade terms
2. Have product sampled and technically examined
3. Arrange transport
4. Prepare export permit
5. Apply for cargo insurance
6. Prepare and submit customs declaration
7. Stuff container and transfer it to port of departure
8. Clear goods through customs
9. Handle container at terminal and stow it on vessel
10. Prepare documents required by importer as listed in L/C
11. Pay - Claim payment of goods