Asia-Pacific
Economic Cooperation

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Modern Approaches to Trade Facilitation

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18-19 September 2010

Modern Approaches to Trade Facilitation

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APEC Ease of Doing Business workshop on Trading Across Borders, Sendai, Japan, 18-19 Sep 2010

United Nations Charter, Article I
The UN Mandate for Work on Standards

The Purposes of the United Nations are:

1. *To maintain international peace and security, ……;*
2. *To develop friendly relations among nations ……;*
3. ***To achieve international co-operation in solving international problems of an economic, social, cultural, or humanitarian character, ……; and***
4. ***To be a centre for harmonizing the actions of nations in the attainment of these common ends.***

Standards and the United Nations

- The United Nations promotes trade for its potential to foster economic development and eradicate poverty.
- As part of its contribution, **UNECE develops trade-related recommendations, standards and tools**
- ***UNECE standards are open, technology neutral and free so that all countries have the same opportunity to use them***

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FOR
TRADE FACILITATION
AND
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UN/CEFACT

SIMPLE,
TRANSPARENT
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PROCESSES
FOR
GLOBAL BUSINESS

Trade Facilitation – the Beginning

- Trade Facilitation started in UNECE in the 1960th ..
- Nordic countries needed better access to European Markets for export of timber..
- ..which led to the development of a global standard for trade documents
- and UN Recommendation 1 for the Layout Key

Today we have 32 Recommendations and a whole set of technical standards

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Trade Facilitation – its Evolution

Outputs

- Standards for paper documents: UN Layout Key
- Semantic: UN Trade Data Element Directory
- Codes: UN Recommendations on Code Lists
- Collaboration: National Trade Facilitation Bodies
- Border Coordination & Automation: Single Window Recommendation 33
- Standards for electronic documents:
  - Electronic Data Interchange (UN/EDIFACT)
  - Core Component Library
  - XML Messages

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Trade Facilitation – its Evolution

Achievements

In localised, sector-specific environments:

- **Standardization of paper documents & electronic exchange of specialised messages**

In some regions and supply chains:

- **Improved simplification and standardization of procedures and information at a cross-national and cross-industry level**

Internationally:

- **A much greater understanding of the importance of trade facilitation, as reflected in WTO negotiations and the work of other multi-lateral institutions such as the World Bank**

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Trade Facilitation – its Evolution

What has not yet been achieved

- **Widespread simplification and harmonization of procedures**
- **Global acceptance and implementation of harmonized and standardized trade information**
- **Automated information flows that accompany, direct and control the movement of goods and exchange of services all along global supply chains**
- **A WTO agreement on trade facilitation**

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TREND: *Trade Facilitation as a core instrument of trade policy*

TF – Key to regional & global trade integration

- **Benefits from reduced tariffs - increasingly limited**
- **TF has highest potential for increasing competitiveness, reducing costs**
- **Potential gains are highest in developing countries and emerging economies**
- **Economic development increases participation in global supply chains, but also increases their complexity and thus the need for facilitation**

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IMPLICATIONS: *Trade Facilitation as a core instrument of trade policy*

- **Policy makers need to initiate and lead TF implementation**
- **Regional adoption and adaptation of standards and best practice is needed**
- **Agendas and approaches need to be coordinated on the regional level**
- **Small economies need to collaborate to develop capacity and experience**
- **Challenge for managers: Competence in policy, trade procedures and technology required**

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TREND:

BUY SHIP PAY

Integration of supply chain information flows

Today's fast moving and increasingly complex supply chains require end-2-end exchange of information

- **More actors, faster moving, higher value**
- **Supply chain security and regulatory compliance required**
- **More & more information needs to be shared between participants in the supply chain**
- **So more than ever before - information drives the supply chain**
- **Sharing information is creating more trust, efficiency and security between partners**

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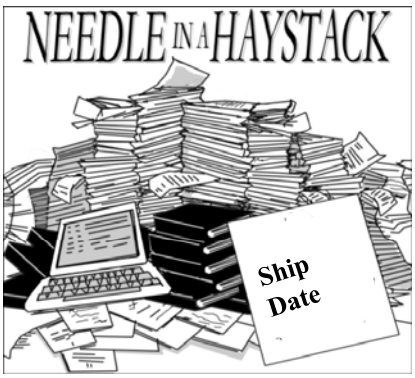
TREND:

BUY SHIP PAY

Integration of supply chain information flows

Supply Chain Participants will pull information as it is needed, in the form it is needed



No more looking in the Haystack

- **No more sending a Haystack of data!**

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IMPLICATIONS: *Integration of supply chain information flows*

BUY SHIP PAY

- More end-2-end supply-chain analysis is needed
- Regional/global & sectoral data models describing supply-chain information and data flows will be developed and used
- Message exchange based on data models will increase, particularly in the move from fixed messages (push) to information on demand (pull)
- We can't wait for paper to disappear, so paper needs to being incorporated, together with electronic information, into integrated supply-chain procedures and processes
- Ability to participate in these information flow will become a pre-condition for participating in trade

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TREND: *Single Window as a driver for trade facilitation*

Single Windows and other Community Systems for Trade Facilitation are of increasing importance

- Many countries are building extensive Single Window and Port Community Systems
- These require integration and automation of procedures and information (Co-oordinated Border Freight Management – CBDM)
- Making them powerful TF drivers at a national level
- Increasingly used to support regional trade policies (ASEAN, APEC)
- The potential exists for a global network of automated trade hubs…….. creating the digital trade routes of the 21st millennium

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IMPLICATIONS: *Single Window as a driver for trade facilitation*

Single Windows require:

- **Agreement on common standards, approaches and best practice**
- **Inter-ministerial and public-private sector cooperation**
- **Policy setters & managers at all levels to initiate, support and regulate their development**
- **A multi disciplinary approach: Policy, technical, legal, business model, …**

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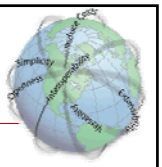
TREND: *From national to regional to global facilitation*



- **More content in bi-lateral and multi-agreements is on non-tariff barriers to trade & TF issues**
- **Bi-lateral information requirements are increasing**
- **A growing number of regional information-sharing arrangements**
- **More attention to international trade facilitation and information standards**
- **Global negotiations at the WTO on "minimum TF requirements" are progressing**

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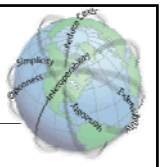
IMPLICATIONS: *From national to regional to global facilitation*



- Trade facilitation discussions will become both more political and more "practical"
- Administrations and companies need to become more aware of international trade facilitation recommendations, standards and methodologies
- Migration plans will be required to move from existing practices and systems to new practices and systems aligned with international practices. One way forward – Unified Trade Interfaces based on international standards
- Actions are required to avoid a Digital Divide in the supply chain

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IMPLICATIONS: *From national to regional to global facilitation*

- Corresponding legislation will need to be put in place with regional/international coordination

One approach is to use ***Common Regulatory Objectives*** with mutual recognition

Example – electronic signatures

Model legislation (UNCITRAL) exists, but if each country implements different solutions – international implementation will still be very costly

Possible Common Regulatory Objective (CRO): Insuring original validity and that content remains unchanged

To meet the CRO a trader could implement any of an identified set of standards or provide proof that the process used meets the CRO

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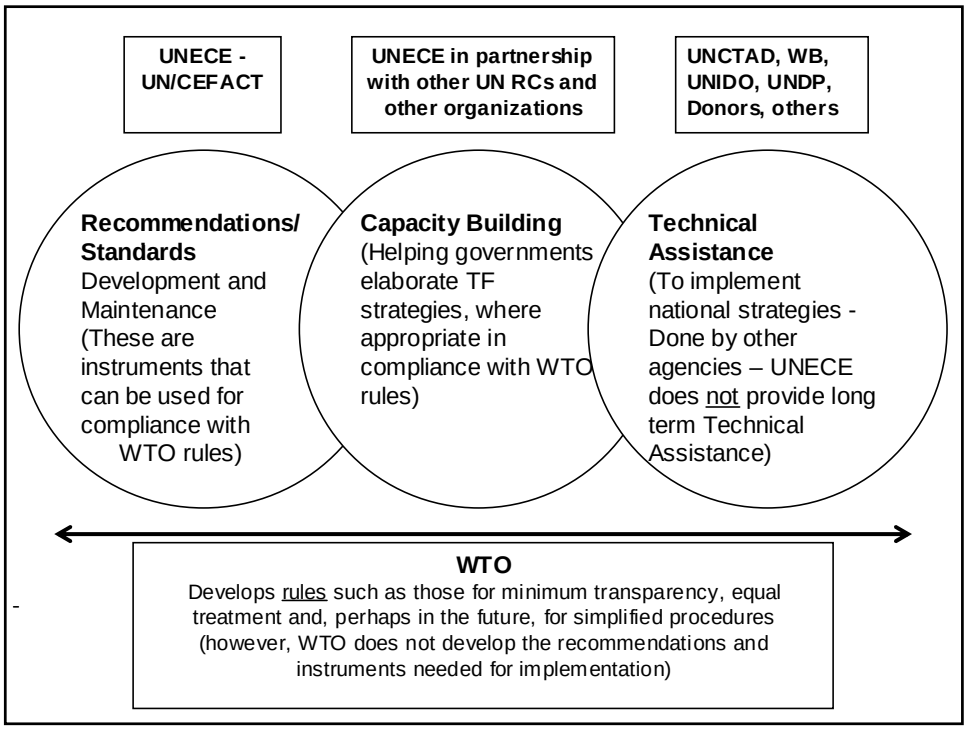
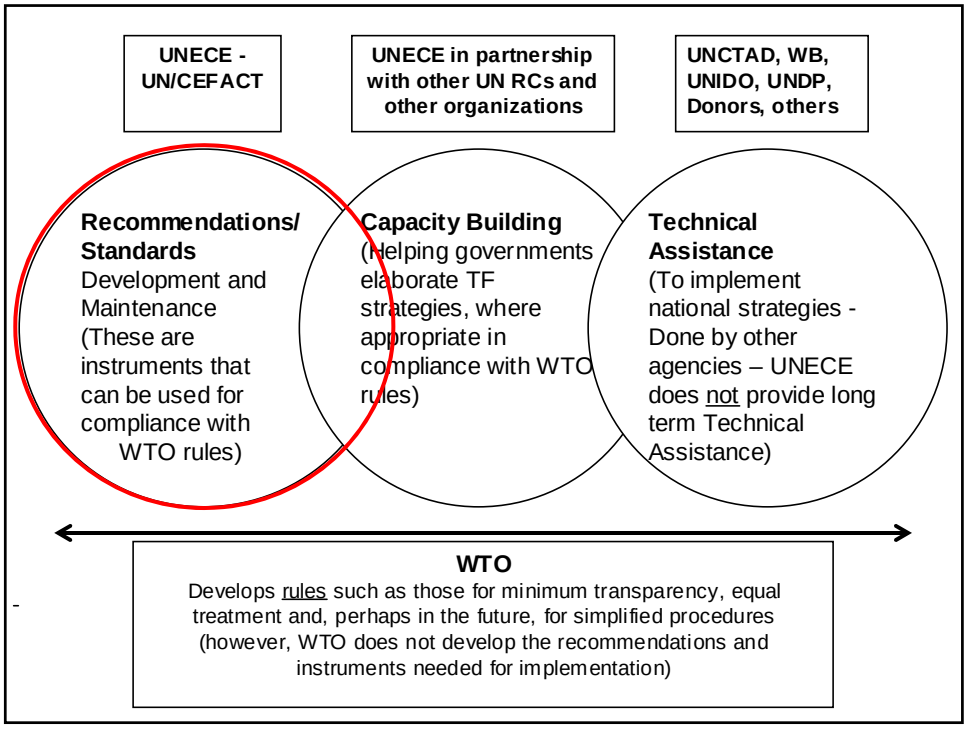
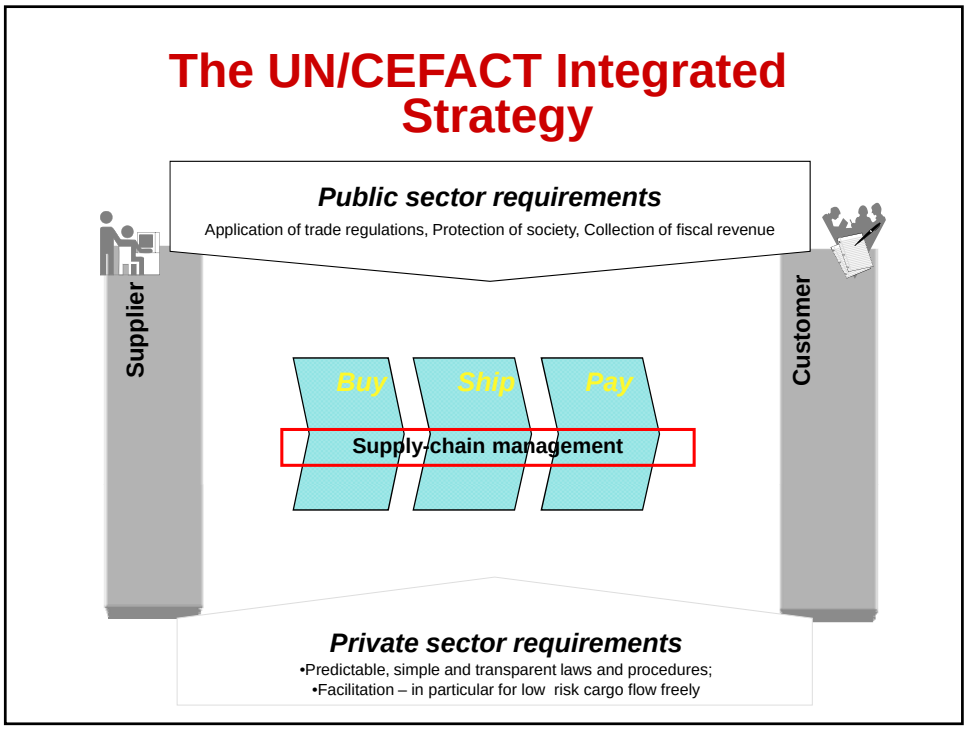
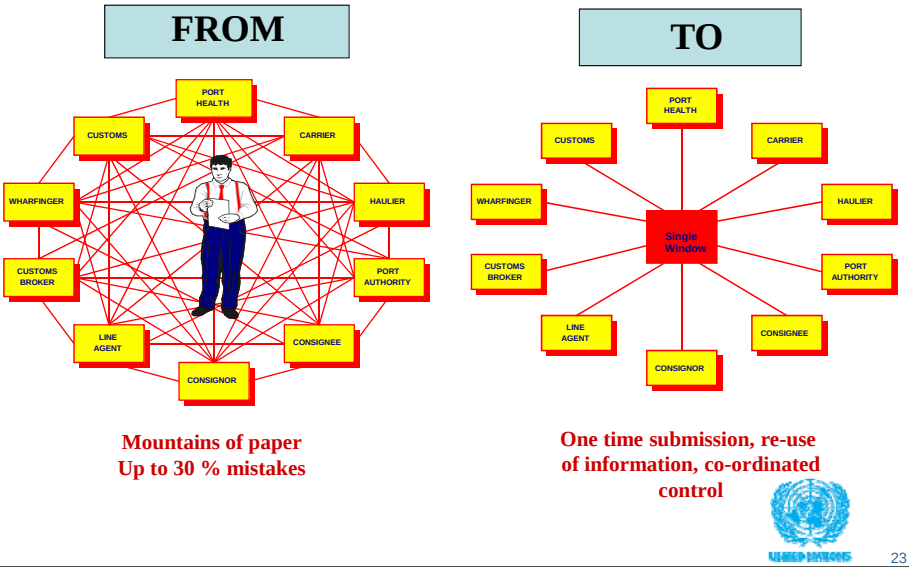



UNECE - UN/CEFACT
UNECE in partnership with other UN RCs and other organizations
UNCTAD, WB, UNIDO, UNDP, Donors, others
Recommendations/ Standards
Development and Maintenance
(These are instruments that can be used for compliance with WTO rules)
Capacity Building
(Helping governments elaborate TF strategies, where appropriate in compliance with WTO rules)
Technical Assistance
(To implement national strategies - Done by other agencies – UNECE does not provide long term Technical Assistance)
WTO
Develops rules such as those for minimum transparency, equal treatment and, perhaps in the future, for simplified procedures (however, WTO does not develop the recommendations and instruments needed for implementation)


The UN/CEFACT Integrated Strategy
Public sector requirements
Application of trade regulations, Protection of society, Collection of fiscal revenue
Supplier
Customer
Buy
Ship
Pay
Supply-chain management
Private sector requirements
•Predictable, simple and transparent laws and procedures;
•Facilitation – in particular for low risk cargo flow freely

Streamlining trade information:
UN Recommendation 33 on Single Windows



Mountains of paper
Up to 30 % mistakes

One time submission, re-use of information, co-ordinated control

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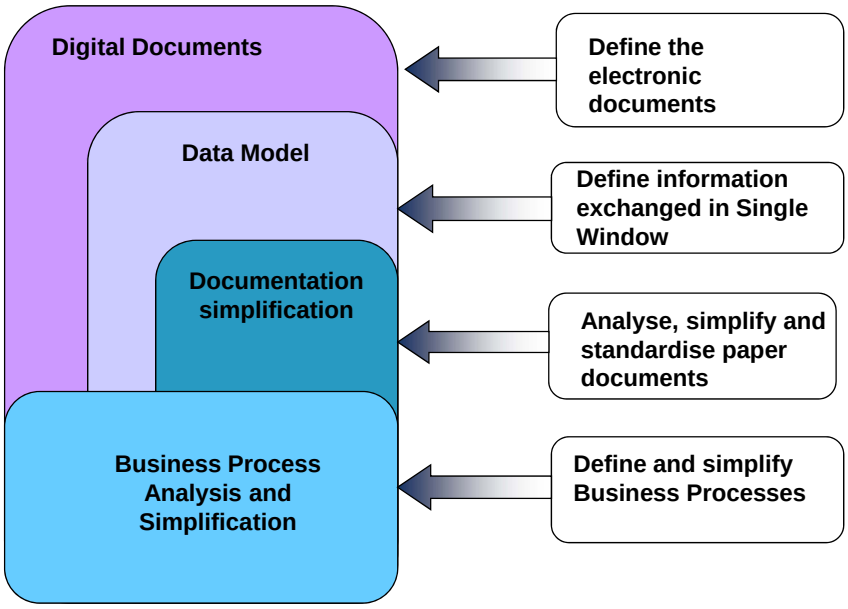
Automation of data exchange in Single Window



Objectives

- Define the electronic documents
- Define information exchanged in Single Window
- Analyse, simplify and standardise paper documents
- Define and simplify Business Processes

Data and Document Simplification

Objective: Define data from a business perspective; then harmonise, simplify and standardise data and documents

- UNLK: Align documents to international standards
- Code Lists: Define codes and data formats
- UNTDED: Define data using standard semantics
- Compare data among documents and simplify

Standards &Tools: UN Layout Key, UN/TDED (ISO 7273), ECE/CEFACT Recommendations

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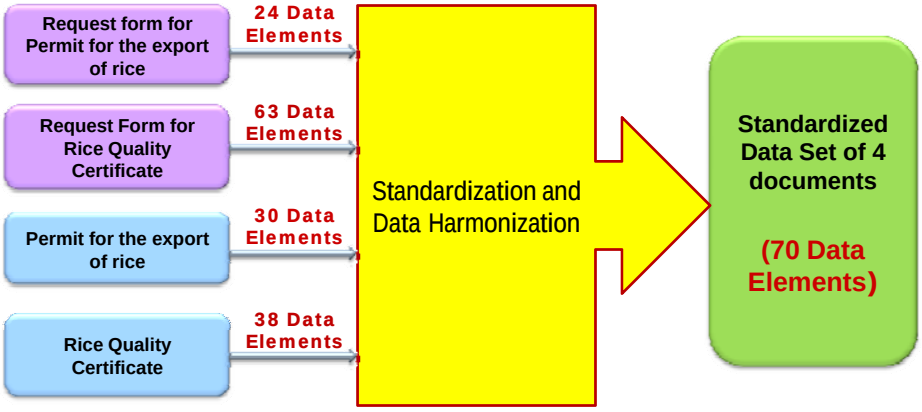
Example - Data Harmonization of 4 documents (Exporting Rice)



Standardization and Harmonization can reduce the data elements from 24+63+30+38=155 data elements to 70 data elements for a standardized data set

Source: Innova, Kasetsart University, Thailand

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UN/CEFACT Core Components

- An international standard (ISO 15000-5)
- provides definitions and structure to describe complex information
- ..exchanged in supply chains
- ..in a syntax neutral format
- Used to build data models
- Examples:

WCO Data Model, CEFACT XML messages, CITES permits, ..

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UN/EDIFACT

- The international standard for Electronic Data Exchange (ISO 9735)
- Published and maintained by UNECE

www.unedifact.org

- 209 message formats, 2 publications per year
- Characteristics:

  + robust, stable, standard, ***"Workhorse"***

  - implementation & (software) license costs, Internet/application integration, SME

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UN/CEFACT XML Schemas

- Schemas for specific messages in the supply chain
- Invoice, Order, Tender, Dispatch Advise, Agriculture Quality Certificate, Lodging House Information …
- Published twice per year
- Include description of the Business Process

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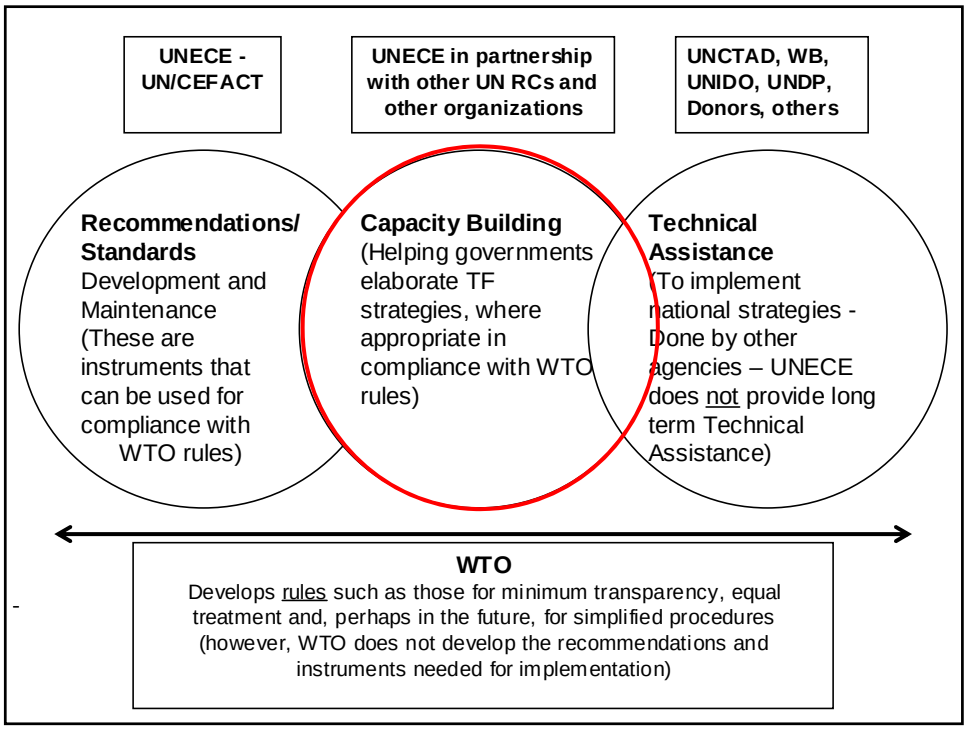
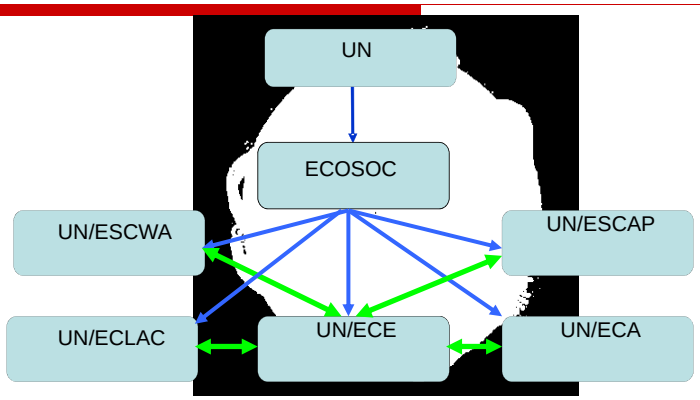


The Relationship Between UN Regional Commissions in TF



- UNECE & UN/CEFACT work with ALL UN Member States and Regions to DEVELOP the standards
- Each Regional Commission supports IMPLEMENTATION in its own Region
- The UNECE & UN/CEFACT provide TECHNICAL support to other Regional Commissions

Joint UN Regional Commissions Approach to Trade Facilitation

All UN Regional Commissions work on Trade Facilitation Implementation

- UNECE (Economic Commission of Europe)
- UN ESCAP (Economic and Social Commission for Asia and the Pacific)
- UN ESCWA (Economic and Social Commission for Western Asia)
- UN ECLAC (Economic Commission for Latin America and the Caribbean)
- UNECA (Economic Commission for Africa)

In January 2010 the UN Regional Commissions launched an initiative to coordinate their support for Trade Facilitation

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Deliverables

- Develop joint view on key Trade Facilitation issues, particularly at the regional and interregional level
- Synergy in Capacity Building and specialised expertise
- Interregional dialogue and exchange of best practice
- Coordination with other key UN and related agencies on Trade Facilitation

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Example: UN Network of Experts for Paperless Trade (UNNEXT)

- An initiative of UNECE and ESCAP to support transition economies and developing countries in managing trade facilitation implementation
- Managers and experts need a platform that can provide access to:
  - Exchange of best practices and experience with their peers in other countries of the region
  - Joint capacity building, support and training
  - Synergies in approaches
- Need for regional exchange on technology, approaches and policies
- Expertise is available in every country of the region; a Peert2Peer Network can make it available to all

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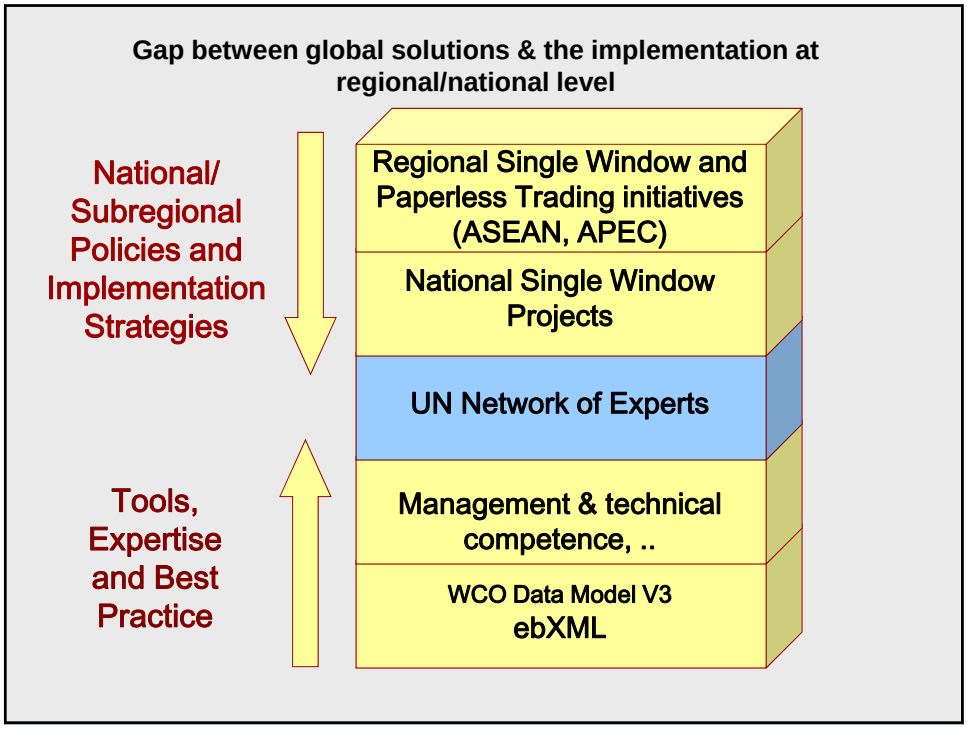
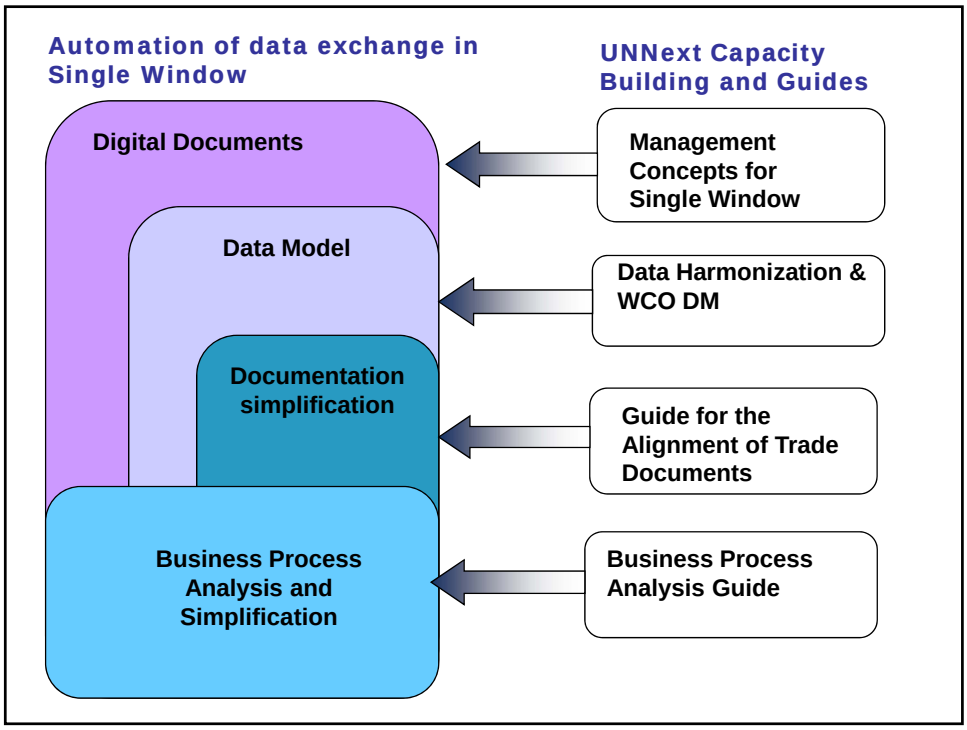

Gap between global solutions & the implementation at regional/national level
National/ Subregional Policies and Implementation Strategies
Tools, Expertise and Best Practice
Regional Single Window and Paperless Trading initiatives (ASEAN, APEC)
National Single Window Projects
UN Network of Experts
Management & technical competence, ..
WCO Data Model V3
ebXML


Automation of data exchange in Single Window
UNNext Capacity Building and Guides
Digital Documents
Data Model
Documentation simplification
Business Process Analysis and Simplification
Management Concepts for Single Window
Data Harmonization & WCO DM
Guide for the Alignment of Trade Documents
Business Process Analysis Guide

Current Activities of UNNEXT

- Asia-Pacific Trade Facilitation Forum 2010
  - Organised ESCAP, jointly with ADB and UNECE
  - Kuala Lumpur, Malaysia, 5-6 October
  - Meeting of three UNNEXT Sub regional Groups
- Regional Joint Workshop on WCO Data Model and Data Harmonization
  - Organised by WCO, UNECE and ESCAP with support of ADB, ASEAN and USAID
  - *Kuala Lumpur, 7-8 October*
- Capacity building (training) activities
  - Regional Workshop on WCO Data Model and Data harmonization
  - *National and regional Business Process Analysis Workshops*
  - *Single Window Readiness Study*
- Research and Analysis
  - *Analysis of Cross Border Supply Chains (ESCAP, ARTNeT)*
  - *Single Window Project Design for Decision Makers and Managers (ECE, ITAIDE)*

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More information on the Website..

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Thank you

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