Agreement on Trade Facilitation
An Overview

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In this presentation:

A. Why Trade Facilitation in the WTO?

B. Brief history of the Agreement

C. Structure of the Agreement
   1. Substantive provisions
   2. Special and differential treatment

D. Next steps
A.1 Typical problems:

✓ Excessive documentation requirements
✓ Inefficient border-crossing procedures
✓ Transport and transit impediments
✓ Lack of transparency and predictability
✓ Lack of cooperation and coordination
✓ Lack of automated processes and scarce use of information technology
✓ High administrative costs
A.2 Why does it matter?

9 billion documents each year to process movement of goods!

1 day clearance ≈ 1% tariff

✓ Companies sometimes spend more money complying with customs regulations than the amount earned in revenue by Customs
Customs transactions vary widely from country to country. In 2014, these transactions involved:

**Export**
- 2-11 documents
- 6-86 days

**Import**
- 2-17 documents
- 4-130 days

A.4 Time is money!

<table>
<thead>
<tr>
<th>Region</th>
<th>AVG No. of documents required to import goods</th>
<th>No. of days to comply with all export and import procedures</th>
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</thead>
<tbody>
<tr>
<td>East Asia &amp; Pacific</td>
<td>7.1</td>
<td>23.1</td>
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<tr>
<td></td>
<td></td>
<td>24.3</td>
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<tr>
<td>CEECAC</td>
<td>7.8</td>
<td>26.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>28.4</td>
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<tr>
<td>Middle East &amp; North Africa</td>
<td>7.4</td>
<td>22.5</td>
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<tr>
<td></td>
<td></td>
<td>25.9</td>
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<tr>
<td>OECD</td>
<td>4.9</td>
<td>10.5</td>
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<td>11.0</td>
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Source: World Bank, Doing Business 2010
A.5 WTO and Facilitation of Trade

- The **WTO/GATT** rules include provisions to enhance transparency and set minimum procedural standards such as **GATT Articles V; VIII and, X**

**HOWEVER,**

- The **WTO legal framework lacked specific provisions** in some areas, particularly on customs procedures and documentation, and on transparency.
A.6 But why TF at the WTO?

- Common rules for 161 WTO Members
- Enforcement through dispute settlement
- Pre-existing provisions with basic rules (in particular Articles V, VIII, and X)
A.6 What is TF in WTO terms?

- No single definition

- In WTO terms TF can be understood as:
  - Simplification, harmonization, automation of the procedures applied to international trade, particularly the requirements and formalities related to importation and exportation with a view to further expediting the movement, release and clearance of goods, including goods in transit.
B.1 Brief history of the TFA

1996 Singapore issues launched

2001 DDA established

2004 NGTF concluded at Bali!

2013 Amendment Protocol adopted (WT/L/940)

2014 Amendment Protocol adopted (WT/L/940)
B.2 Estimated benefits

Cost reduction potential of almost 10% of trade cost.

Reduction of total trade costs of 14.5% for low income, 15% for lower-middle income, and 13.2% for upper-middle income countries

Up to two-thirds of the total gains to be obtained by developing countries.
OECD TD/TC/WP(2003)31/FINAL
### B.3 Link with GATT provisions

<table>
<thead>
<tr>
<th>GATT</th>
<th>TFA</th>
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<tbody>
<tr>
<td><strong>Art. X</strong> Transparency</td>
<td></td>
</tr>
<tr>
<td>Art. 1</td>
<td>Publication and availability of information</td>
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<td>Art. 2</td>
<td>Opportunity to comment, information before entry into force, and consultations</td>
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<tr>
<td>Art. 3</td>
<td>Advance rulings</td>
</tr>
<tr>
<td>Art. 4</td>
<td>Procedures for appeal or review</td>
</tr>
<tr>
<td>Art. 5</td>
<td>Other measures to enhance impartiality, non discrimination and transparency</td>
</tr>
<tr>
<td><strong>Art. VIII</strong> Fees and formalities</td>
<td></td>
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<tr>
<td>Art. 6</td>
<td>Disciplines on fees and charges imposed on or in connection with import and export and penalties</td>
</tr>
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<td>Art. 7</td>
<td>Release and clearance of goods</td>
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<tr>
<td>Art. 8</td>
<td>Border agency cooperation</td>
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<tr>
<td>Art. 9</td>
<td>Movement of goods intended for import under Customs control</td>
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<tr>
<td>Art. 10</td>
<td>Formalities connected with importation, exportation and transit</td>
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<tr>
<td><strong>Art. V: Freedom of transit</strong></td>
<td></td>
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<tr>
<td>Art. 11</td>
<td>Freedom of transit</td>
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<tr>
<td>Art. 12</td>
<td>Customs cooperation</td>
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</table>
B. 4 Nature and scope of obligations:

**Binding**
- Art. 1.1 (Publication): “Each Member **shall** promptly publish the following information …”

**Best endeavour**
- Art. 1.3 3.3 (Enquiry Points): Members **are encouraged** not to require the payment of a fee …

**Combination**
- Art. 1.2 2.1 (Information through internet): “Each Member **shall** make available, **and** update to the extend possible and as **appropriate**, the following through internet…”
- Art. 1.2 2.3 “Members **are encouraged** to make available further trade-related information …”
C. Structure of the TFA

Section I
The TFA contains 12 Articles) with approximately 40 “technical measures” (Articles 1 - 12)

Section II
Special provisions for developing and least-developed country Members (Articles 13 – 22)

Section III
Final provisions and institutional arrangements (Articles 23 – 24).
Section I

The trade facilitation Agreement contains 12 Articles with approximately 40 “technical measures”

**Article 1**
Publication & Availability of Information

**Article 2**
Comment and Consultations

**Article 3**
Advance Rulings

**Article 4**
Procedures for Appeal or Review

**Article 5**
Measures to Enhance Impartiality, Non-Discrimination & Transparency

**Article 6**
Disciplines on Fees and Charges

**Article 7**
Release and Clearance of Goods

**Article 8**
Border Agency Cooperation

**Article 9**
Movement under Customs Control

**Article 10**
Import, Export & Transit Formalities

**Article 11**
Freedom of transit

**Article 12**
Customs Cooperation
Some examples of TFA provisions…
Article 1: Publication & Availability of Information

1. Publication
2. Information available through Internet
3. Enquiry Points
4. Notification
**Article 3: Advance Rulings**

<table>
<thead>
<tr>
<th><strong>What is it?</strong></th>
<th>A written decision provided by a Member to an applicant prior to the importation of a good.</th>
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<tbody>
<tr>
<td><strong>On what?</strong></td>
<td>Mandatory for tariff classification and origin (Art.3.9). Encouraged for customs value.</td>
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<tr>
<td><strong>When?</strong></td>
<td>To be delivered in a reasonable, time bound manner</td>
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<tr>
<td><strong>Other?</strong></td>
<td>Binding on that Member in respect of the applicant that sought it.</td>
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</table>
### Article 7: Release & clearance of goods (1)

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
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<tbody>
<tr>
<td>1.</td>
<td>Pre-arrival processing</td>
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<td>2.</td>
<td>Electronic payment</td>
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<tr>
<td>3.</td>
<td>Separation of release from final determination</td>
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<td>4.</td>
<td>Risk Management</td>
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</tbody>
</table>
Encourage all border authorities & agencies to cooperate:

- Alignment of: working days and hours, procedures, and formalities
- Development and sharing of common facilities
- Joint controls
- Establishment of one stop border post control
Article 9: Movement of goods under customs control intended for import

Allow goods intended for import to be moved within its territory under customs control from a customs office of entry to another customs office in its territory from where the goods would be released or cleared.
Article 10: Formalities, procedures and documentation

1. Formalities and documentation Requirements
2. Acceptance of Copies
3. Use of International Standards
4. Single Window
5. Pre-shipment Inspection
6. Use of Customs Brokers
7. Common Border Procedures and Uniform Documentation Requirements
8. Rejected Goods
9. Temporary Admission of Goods/Inward and Outward Processing
Article 12: Customs Cooperation

1. Measures promoting compliance and cooperation
2. Exchange of info.
3. Verification
4. Request
5. Confidentiality
6. Requests / refusals / reciprocity / limitations
7. Unauthorized use
8. Bilateral / regional agreements
Section II
Special provisions for developing and least-developed country Members

Category A
Developing: To be implemented at the time the TFA enters into force
LDCs: To be implemented within one year after the TFA enters into force

Category B
To be implemented after a transitional period following the entry into force of the TFA

Category C
To be implemented after a transitional period and requiring the acquisition of assistance and support for capacity building
Section III
Final provisions and institutional arrangements

Article 23

1. Committee on TF:
   It will oversee the implementation of the TFA

2. National Committee:
   Each Member shall establish (or maintain) a national committee
D. Next steps

• **The TFAF** ("The Facility", more later…)
• Conclude “needs assessments”
• Receive **Category A** commitments
• Ratification
• Acceptance by 2/3s of Members
• Entering into Force of the Agreement
• Notification of categories of provisions
Developing Countries Notification for all categories of provisions

Entry into force of TFA (when 2/3 of Members ratify)*

1 year

Member and donor inform of TACB arrangements for Cat. C

2 years

Notify definitive dates for implementation of Cat. B provisions

2.5 years

Notify:
1. progress in provision of TACB
2. definitive dates for implementation

All Categories
Category B
Category C

* Obligations for an individual country will only commence once this country completed its ratification process as well.
LDCs Notification for all categories of provisions

Notify:
1. A, B, C categories
2. LDCs may notify indicative implementation dates for category B

Notify definitive dates of implementation for Cat. B provisions

Inform TF Committee on progress in provision of assistance and notify definitive dates

Entry into force of TFA (when 2/3 of Members ratify)*

1 year

2 years

3 years

4 years

5.5 years

Notify technical assistance required for implementation of Cat. C provisions

Inform TF Committee of arrangements with donors & indicative dates for implementation for Cat. C provisions

All Categories

Category B

Category C

* Obligations for an individual country will only commence once this country completed its ratification process as well.
Category A: Notifications received thus far…
60 Cat. A notifications received - Regional breakdown

- Africa: 14 notifications (23%)
- Middle East: 5 notifications (9%)
- Asia & the Pacific: 15 notifications (25%)
- Central & Eastern Europe, Central Asia Caucasus: 9 notifications (15%)
- Latin America: 15 notifications (25%)
- The Caribbean: 2 notifications (3%)
Category A to date:

1. Hong Kong China
2. Mexico
3. Costa Rica
4. Korea
5. Colombia
6. Singapore
7. Chinese Taipei (TPKM)
8. Paraguay
9. China
10. Nicaragua
11. Mauritius
12. Turkey
13. Honduras
14. Saudi Arabia
15. Malaysia
16. Kuwait
17. Chile
18. Qatar
19. Thailand
20. Peru
21. Uruguay
22. El Salvador
23. Brazil
24. Mongolia
25. Morocco
26. Vietnam
27. Tajikistan
28. Dominican Republic
29. Sri Lanka
30. Israel
31. Philippines
32. Guatemala
33. Ecuador
34. Kyrgyz Republic
35. Panama
36. Indonesia
37. Republic of Congo
38. Cote d'Ivoire
39. Ukraine
40. Brunei Darussalam
41. Oman
42. Albania
43. Moldova
44. Tunisia
45. Jordan
46. Montenegro
47. Botswana
48. Senegal
49. Nigeria
50. Macao, China
51. Gabon
52. Egypt
53. Macedonia
54. Jamaica
55. Pakistan
56. Rwanda
57. Dominica
58. Burundi
59. Kenya
60. Tanzania
How to accept the Protocol of amendment?

IV. Protocol of Amendment

WTO members adopted on 27 November 2014 a Protocol of Amendment to insert the new Agreement into Annex 1A of the WTO Agreement. The Trade Facilitation Agreement will enter into force once two-thirds of members have completed their domestic ratification process.

- How to accept the Protocol of Amendment to insert the WTO Trade Facilitation Agreement into Annex 1A of the WTO Agreement

www.wto.org/tradetopics/tradefacilitation
How many ratifications have been deposited?

Thus far…

1. Hong Kong, China  
   (8 December 2014)

2. Singapore  
   (8 January 2015)

3. United States  
   (23 January 2015)

4. Mauritius  
   (5 March 2015)
Thank you!