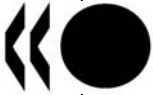


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TRADE LOGISTICS AND FACILITATION: AN EXERCISE IN INTERNATIONAL COOPERATION

Maseru, Lesotho, 11-12 October 2004

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**TRADE LOGISTICS AND FACILITATION:
AN EXERCISE IN INTERNATIONAL COOPERATION**

**FROM COUNTRY AWARENESS TO GLOBAL ADVOCACY
FROM INTERNATIONAL DEBATE TO LOCAL IMPLEMENTATION**

**The World Bank
October 2004**

Background

1. As trade competitiveness has become the name of the game for developing and transition countries struggling to get their fair share of the globalization pie, the fact remains that much needs to be done at the country and regional levels to prevent the potential logistics and facilitation gap from growing at the expense of a number of least developed economies. Proximity to markets, predictability in delivery, cost-effectiveness of international logistics services, efficiency of cross-border operations, are all issues that govern to a large extent the capacity of any given country to benefit from trade growth in the global economy.

2. Against this background, mainstreaming trade logistics and facilitation into country programs must be the Bank's first priority in this area. Simultaneously, the evolution on the multilateral stage calls for the Bank to deploy a well-articulated approach geared towards demonstrating the positive implications of trade facilitation efforts within the Doha Development Agenda, so that global constituencies can emerge, which will in turn support the growth of national constituencies. And in between those two levels of action, the Bank shall find effective ways to work with regional economic communities, with a view to help them internalize markets externalities, take advantage of economies of scale, and as a result, strengthen regional integration through more efficient trade logistics. And at these three levels, international cooperation and networking is key to achieving any truly sustainable progress.

3. The Bank's Trade Logistics Strategy shall therefore unfold along the three following avenues:

At the Country Level, because there is too often an immediate need to bridge the growing gap in accessibility towards developed countries markets, which if unattended has the potential to thwart any growth efforts;

At the Global Level, because the debate on the international scene must provide developing and transition countries with an explicit understanding of the benefits at stake within potential multilateral trade negotiations; and

At the Regional Level, because regional communities are in a unique position to facilitate implementation of trade logistics modernization programs across borders, while helping mitigate individual countries' concerns about costs and distribution of benefits.

The Country Agenda: Mainstream Trade Logistics and Facilitation into Country Programs

4. Achieving this objectives means making sure the trade logistics perspective is included at the earliest possible stage of a country assistance design. Consequently, trade logistics diagnosis shall be part of CAS and PRSP preparation, and when needed because of insufficient data—a likely situation in many instances—adequate ESW must be defined and carried out to provide the country assistance strategy with the information it requires to properly lay out an effective development path.

5. This is also the stage where a concerted effort is needed, in coordination with other development institutions and donors active in any given country, to raise awareness among policy makers about the importance of the trade logistics agenda and its horizontal connections with many other sectors of the national economy. One critical aspect of this exercise will be to help build national constituencies, by mobilizing the private sector trading community, which will then insist on keeping these issues on the agenda of political institutions.

6. As a result of the economic and sector work and diagnostic work initiated in the early stages of the assistance program, and with the support of local constituencies, it then becomes possible to identify projects for potential Bank support, and to design them in a participatory manner to ensure strong buy-in and follow-up from national stakeholders.

7. This approach will also involve systematically promoting the adoption of instruments and tools offered by specialized institutions, for instance the ratification of the Revised Kyoto Convention from the World Customs Organization (WCO), or the implementation of UNECE/CEFACT recommendations on specific trade facilitation measures, like the most recent one providing guidelines on establishing a single window arrangement for external trade procedures. At the project level, the Bank is working with UNCTAD and the WCO, for instance in Afghanistan, in designing and implementing Customs and trade facilitation reforms.

The Global Agenda: Promote Trade Facilitation as a Positive Component of the Doha Development Agenda

8. Demonstrating the positive implications of trade facilitation efforts within the Doha Development Agenda requires being able to put on the table convincing analysis results showing costs, benefits and prospective timelines for implementation and materialization of outcomes. Although obvious progress has been made at the global level on general awareness about the issue, clearly more needs to be made on practical knowledge on the tangible consequences of any commitments countries may be asked to make within the framework of multilateral negotiations.

9. The Bank's objective shall be to help build a global constituency across traditional party lines, developed and developing countries clusters, commodities interests groups, regional and sub-regional groupings, so that a commonly accepted reference framework for defining and implementing trade facilitation measures across countries could emerge and be recognized as a worthwhile undertaking.

10. Here again, cooperation will be critical to ensure both an optimal use of available resources and consistency in coverage and outcomes. For instance, as seems to appear clearly enough today, many a country's reluctance to agreeing to embark on trade facilitation reform, or even more to consider negotiations under the WTO umbrella, is more often than not predicated on objecting on costs rather than on questioning benefits, the latter being seen medium/long term anyway and the former immediate and typically overestimated. The OECD has started to work on quantifying costs of compliance with the basic trade facilitation measures as described in GATT, and the Bank will cooperate in this exercise, adding also the dimension of cost of compliance with new international transport security standards. On the Customs

dimension, the Bank and the WCO have jointly produced a Customs Modernization Handbook, which will be formally launched at the WCO Annual Council Meetings in Brussels at the end of June, and which should help guide countries successfully embark on Customs reform.

The Regional Agenda: Mobilizing the Implementation Capacity of Regional Economic Communities

11. The inherent multi-country aspect of trade, and the pervasive concern to help strengthen regional stability, and therefore improve development prospects, through better regional integration, naturally leads to involving the Regional Economic Communities (RECs) in devising and implementing trade logistics and facilitation efforts across their members countries.

12. Another argument in favor of their active participation lies in the fact that a number of countries depend to some extent on other countries' willingness to embark into a logistics and facilitation program to reap the benefits of their own actions, and the externalities and ripple effects involved in any country's program are better managed at the regional level. This is obviously the case of many landlocked developing countries. Similarly, significant economies of scale can be achieved, in implementing a customs reform program throughout a sub-region for instance, or in establishing regional training centers for country officials, which need a regional anchor to materialize.

13. International cooperation on this agenda is already supported by specific initiatives, in particular in the case of landlocked developing countries (LLDCs), the Almaty Programme of Actions adopted at the UN LLDCs Interministerial Conference in August 2003, which precisely calls for such cooperative arrangements. The World Bank will for instance cooperate with UNCTAD on the pilot corridor project Laos-Thailand-Vietnam.

A Possible Vehicle to Help Promote International Cooperation: The Global Facilitation Partnership (GFP)

14. But for these efforts to be conducive to lasting development progress, a partnership approach on the international front is required, which itself may help lead to a wider agreement on the multilateral stage. As noted above, progress on any of the topics described goes through implementing conventions, protocols or recommendations issued by international specialized agencies. Working together both at the country and the international level is therefore a prerequisite to any sustainable achievement.

15. It is in this spirit that the Global Facilitation Partnership (GFP) was launched back in 1999, with the World Customs Organization, UNCTAD, UNECE, the International Chamber of Commerce and the World Bank as initial partners, now joined by more than 150 others. The Doha Development Agenda provides a vehicle to promote implementation of trade facilitation programs, and the GFP offers a network of institutions and practitioners to help foster it at the ground level, in each country, and within regional economic communities.

16. The GFP - envisaged as a collaborative endeavor with participation by both private and public partners- had the aim of designing and undertaking specific programs that would exploit each partner's expertise in a coordinated manner. The programs pertain to issues in the trade facilitation agenda such as customs issues, facilitation audits, training and education and transport facilitation including cross-border issues.

17. To date, the GFP's specific areas of work include:

- The dissemination and implementation of a comprehensive Facilitation Audit Methodology, combining qualitative assessment with a simplified set of data on efficiency of trade and transport

transactions. The comprehensive version of the Facilitation Audit Methodology was first published in December 2001 under the title: *Trade and Transport Facilitation: A Toolkit for Audit, Analysis and Remedial Action*. The online version of this document has now been updated to better reflect increased concerns about the Facilitation/Security nexus.

- The definition of systematic approaches to measurement of transit time and cost based on a set of facilitation indicators on transportation and cross-border processes. In particular, the creation of **Transit Time and Cost Database** by gathering time/cost data from transit administrations and private operators.
- The monitoring and publishing regularly of data on these facilitation indicators;
- Knowledge gathering/sharing and training. In particular, creation of a GFP trade facilitation web site and the launch of a **Distance Learning Initiative (GFP-DLI)**, which is now being implemented. The GFP-DLI aims at supporting the development of distance learning programs with certification, managed by leading professional associations. The first set of distance learning programs have been piloted under the auspices of the International Road Transport Union (IRU). The launch of the GFP-DLI website, effective on April 30, 2003, is contributing to the stimulation of knowledge-based networks in trade, transport and logistics, with sharing of existing training documents.

18. All interested parties can join the Global Facilitation Partnership for Transportation and Trade (GFP) through the GFP website (<http://gfptt.org/>), managed in partnership with the United Nations Trade Facilitation Network, which displays all information on GFP activities and provide links to all relevant documentation submitted by GFP partners.