

Expert Meeting on Trade Facilitation as an Engine for Development

Opening statement by Carlos Fortin, Officer in Charge, UNCTAD Geneva, 21 September 2005

It gives me great pleasure to welcome all of you to this Expert Meeting on Trade Facilitation as an Engine for Development. The presence of experts representing many of the players in international trade and transport offers a valuable opportunity for a fruitful exchange of views and experiences. We are particularly pleased that this Expert Meeting takes place in the same week as several other important gatherings related to trade and transport facilitation, including yesterday's meeting of the Global Facilitation Partnership, as well as the Negotiating Group on Trade Facilitation of the WTO. I understand that many of you have participated in these meetings, and I am confident that the technical deliberations that will take place here will complement and enhance those that have taken place already.

Trade facilitation represents a major challenge. UNCTAD estimates that the average customs transaction involves 20–30 different parties, 40 documents, 200 data elements (30 of which are repeated at least 30 times) and the re-keying of 60–70% of all data at least once. This example serves to illustrate how much work is involved in improving trade facilitation conditions. Trade facilitation therefore is a key component in the development strategies of developing countries. The potential medium-term income gains from trade facilitation are estimated by UNCTAD to be around 2-3 per cent of the total value of traded goods. Obviously, the potential for the realisation of benefits from trade facilitation varies across countries, sectors, and characteristics of traders. So much larger benefits might be reaped in particular countries or regions.

The work of UNCTAD and other agencies in the area of trade facilitation is the result of a common need to overcome obstacles to international trade and a response to changes in the patterns of international trade and production. There are nine trends which I would like to highlight, all of which, one way or another, lead to an increased need for trade and transport facilitation:

- First, trade in manufactured goods, which today accounts for 80 per cent of developing countries' exports, is on the increase. Trade in manufactured goods tends to be more time-sensitive than trade in raw materials, which used to dominate most developing countries' exports in the past. Many trade facilitation measures such as customs automation, post-clearance audit and document simplification, aim at the reduction of customs release times and other ways to increase the speed of trade transactions.
- Second, the share of intra-company trade is growing. A company that engages in global production processes depends on reliable trade rules and procedures, and companies seek a close cooperation with customs and other entities involved in trade transactions.
- Third, we have more trade in components and unfinished products, which now accounts for around 30 per cent of global trade in manufactured goods. Deliveries of components to be used in production processes need to be reliable and secure. Post Clearance Audit, for example, is of particular relevance for trade in components and is a measure which requires close cooperation between the companies and Customs.
- Fourth, trade among developing countries has increased, a phenomenon sometimes referred to as the "new geography of international trade". Although still low at around

one eighth of global trade, the share of South-South trade has almost doubled since 1990. Exporters from developing countries that export to other developing countries depend on transparent and reliable trade rules and procedures.

- Fifth, there is a trend towards increased expenditure on transport within the overall expenditure on logistics services. Any trade and transport facilitation measure that increases handling speeds effectively also reduces the involuntary holding of inventory of cargo on trucks or in containers that are waiting at border crossings or in ports.
- Sixth, new technologies are being introduced by traders as well as transport service providers. Customs and other government authorities need to take these technological developments into account so as to avoid becoming the weakest link within the global supply chain.
- Seventh, reformed transport services and improved infrastructure need to be complemented by adequate public sector trade procedures. A fast turnover of vessels or containers in ports, which is nowadays measured in hours or even minutes, is of little use if posterior Customs procedures take days or weeks.
- Eighth, trade liberalization has led to ever lower tariffs, and efforts to further promote trade have thus shifted to the reduction of transaction costs and times. For most developing countries' exports to developed countries, average international transport costs today are two to three times higher than import Customs duties in the destination country. Efforts to further promote trade have thus shifted to the reduction of transaction costs and times, focussing in particular on transport operations and trade and transport facilitation.
- Ninth, trade facilitation has become part of a broader development process. Many trade and transport facilitation measures do not only promote trade, but often also have other positive effects for a country's development because they go hand in hand with capacity building measures, the introduction of new technology, and the reduction of corruption thanks to increased transparency of trade regulations and procedures. Thus, trade and transport facilitation have to be seen as part of a broader development strategy that not only improves a country's competitiveness, but also enhances the introduction of new technologies, good governance and capacity development.

UNCTAD has a long history of involvement in trade and transport facilitation. UNCTAD's largest technical assistance programme is ASYCUDA, the Automated System for Customs Data, which has been installed in over 80 countries, as Customs automation has become a cornerstone of any trade facilitation strategy. Other UNCTAD activities include the Advance Cargo Information System ACIS, and support for the creation of national trade and transport facilitation committees, as well as research and capacity building. Most recently, we have also been active in supporting developing and least developed countries in negotiations on trade facilitation at the WTO, and we are cooperating with several regional transit corridor arrangements so as to facilitate transit transport.

The meeting has a rich and relevant agenda. Today, you will explore the relationship between trade and transport facilitation and development. Tomorrow morning, you will focus on the different regional approaches towards trade and transport facilitation, while tomorrow afternoon various speakers from the private sector will present their views on ongoing negotiations at the WTO. Finally, on Friday, there will be an analysis of the issues surrounding the implementation of trade facilitation measures. We in the secretariat are certain that your deliberations during these three days will help illuminate important issues related to the role of trade facilitation in development.

I wish you every success in your work.