

Trust Fund for Trade Facilitation Negotiations¹
Technical Note 13

Simplification of trade documentation using international standards

The measure in the WTO context

Article VIII of the GATT 1994 (Fees and Formalities connected with Importation and Exportation) recognizes in paragraph 1(c) “the need for minimizing the incidence and complexity of import and export formalities and for decreasing and simplifying import and export documentation requirements”. A number of WTO member proposals to clarify and improve Article VIII, submitted to the Negotiating Group on Trade Facilitation, consider reducing to a minimum such documentation and data requirements specifically through the use of international standards. The WTO reference document for this topic is TN/TF/W/43 (see latest revision).

Background

Documents are the support to collect information and data. Document requirements in international trade have different origins; governmental procedures, commercial information flow along the supply chain, and information flow for payment requirements. Managing the various documentary requirements becomes problematic as the information need to be submitted to different agencies in different countries and languages, on different forms, and with various supportive documents attached to them. National and international businesses, traders and transport operators have to cope with numerous documents and forms (sometimes up to 40 originals), often containing redundant and repetitive data and information (200 data elements on average).

Simplification of trade documents, therefore aims at reducing document and data requirements and aligning them to international standards. Simplified trade documents and procedures aligned to international standards expedite trade transactions as they provide a common basis for similar measures applied by different countries and regions. In addition, aligned trade documents are the first step towards the electronic submission of documents and Customs automation.

International Standards for Documents, Data Elements and electronic transmission

Over the past 40 years, the United Nations have launched several initiatives to move towards simplified and standardised trade documentation, such examples are:

- The United Nations Layout Key (UNLK) which was first adopted in 1963. It is essentially a master layout design from which other trade documents (administrative, commercial) can be derived. It organises coded information (address, buyer, seller, documentation requirements for certain products, etc.)

¹ This Technical Note has been produced jointly by the United Nations Economic Commission for Europe (UN-ECE) and UNCTAD.

in a box format, in fixed locations on a document. Using the UNLK ensures that the same information and data are found in the same places on all documents, and the same format is used regardless of paper size. Some information items and data contained in the UNLK are based on international standards, such as the Code for the Representation Names of Countries (ISO 3166), Numerical Representation of Dates, Time and Periods of Time (ISO 8601:2000); Alphabetic Code for the Representation of Currencies (ISO 4217), the geographic coding scheme UN/LOCODE, and others. Forms created with the UNLK are called “Aligned Paper Documents”.

Examples of international documents based on the UNLK

Regulatory documents:

- Single Administrative Document (SAD, European Union)
- Phytosanitary Certificate (Plant Protection Convention)
- Certificate of Origin (WCO Revised Kyoto Convention)
- GSP Certificate (UNCTAD)
- Dangerous Goods Declaration (UNECE)
- Dispatch Note for Post Parcels (World Post Convention)

Transport documents:

- Standard Bill of Lading (International Chamber of Shipping)
- Freight Forwarding Instructions (FIATA)
- International Road Consignment Note (CMR)
- International Rail Consignment Note (CIM)
- Universal Air Waybill (IATA)
- The IMO Standardized Forms (FAL 1-7)

- The United Nations Trade Data Elements Directory (UNTDDED, ISO 7372) provides definitions for the most important terms used in trade documents and in international trade. The publication is maintained and published jointly by the International Organisation for Standardization (ISO) and the United Nations Economic Commission for Europe (UNECE). The WCO Data Model is based on the UNTDED.
- The United Nations Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT, ISO 9735) comprises internationally-agreed standards, directories and guidelines for the electronic interchange of structured trade data between independent computerised information systems.
- The United Nations Core Component Library (UN CCL) is a library of technology neutral building blocks to define information which can be implemented in different syntax. The UN CCL² is based on the ISO 15000-5 (ebXML) standard. It builds on of both the UNTDED and UN/EDIFACT standard. The data structures can be expressed either in UN/EDIFACT or in extended Mark-up Language (XML).
- The United Nations electronic Trade Documents (UNeDocs) to provide the equivalent of paper documents in electronic format. UNeDocs is based on the UNLK and the UN CCL.

² UN/EDIFACT, UN CCL and important components of the ISO 15000 Suite of standards are developed and maintained by the United Nations Centre for Trade Facilitation and electronic Business (UN/CEFACT), www.uncefact.org. UN/CEFACT is a Working Party under the auspices of UNECE.

Benefits and costs of aligned Trade Documents

Benefits

Simplified and standardised trade documentation yields tangible benefits:

- Fewer documents, and forms that are easier to complete;
- Reduced time, money and human resources resulting in lower total transaction costs;
- Harmonised data elements that facilitate the document transmission between countries and remove language barriers;
- Easier reproduction and fewer mistakes as data is entered only once;
- Improved administrative controls; and
- Smoother transition to automation and electronic document submission.

Costs

Costs of simplifying forms are costs related to the analysis and review of existing document requirements, definition of the electronic document structure, as well as the alignment of the document layouts. From there on, costs are related to the acquisition of computers and specialised software for the generation of documents. One-time costs may involve hiring of experts and training staff in operating the computer software. Once the new document formats are in place, public costs should decrease.

The World Bank **Doing Business Study** www.doingbusiness.org provides country specific data on document requirements for export operations, informing of opportunity costs induced by trade document processing. The data shows that in many developing countries the costs for document preparation are the biggest cost factor in the export process. For example, Indian exporters experienced costs of 350 USD for document preparation, 120 USD for customs clearance, 150 USD for port and terminal handling and 200 USD for inland transport³. The costs for document preparation in a country with highly simplified and automated processes such as Germany were reported at 85 USD per shipment. The data indicates that for developing countries and transition economies document simplification and automation is an important instrument to increase competitiveness at competitively low investment costs.

Implementation

For the implementation phase, a step-by-step approach can be envisaged, involving:

- First, the simplification and harmonization of the underlying processes, regulations and procedures;
- Second, the simplification and standardization of documents layouts and data requirements.
- Finally, the transformation into electronic formats and electronic transmission of documents.

Requirements

A sound analysis of existing trade procedures and requisite formalities and documentation, as well as commercial and documentation practices, and the use of ICT

systems for generation and processing of trade documentation, is the starting point. This could be done taking on trade operation as an example and listing or all necessary steps including licensing requirement, commercial documents, governmental formalities and documents, border crossing process, inspection, and the time necessary for the process.

Based on these findings, procedures and practices can be simplified and information requirements common to several procedures and agencies can be identified. For the alignment of the documents a national master based on an international standard, such as the UN Layout Key can be developed. Common data elements in the main trade documents can be collected to constitute the basis for a national UNeDocs application. Requirements of the different IT systems by public and private operators can be examined in view of introducing one common standard for the transmission of the data.

Once the new aligned documents are developed, a test run for one specific import or export procedure can be undertaken involving public agencies and traders. When the new documents are validated stakeholders should be informed and trained in the use, if necessary also the IT systems.

Throughout the entire process an active involvement of private traders, transport operators, agents, insurers, commercial banks, and forwarders would be beneficial.

Example: NITPRO

In 2002 NITPRO, the Nigerian Committee on Trade Procedures, analysed 12 trade documents. These documents included: Bill of Lading, Invoice, Form 'M', ICO Certificate of Origin, Single Goods Declaration (SGD) Form, Packing List, Combined Transport Bill of Lading, Road Tally Sheet, Consignee Bill of Terminal Delivery Order, Quality Certificate, Certificate of Analysis, Nigerian Export Proceeds Form (NXP), Export Invoice and Certificate of Fumigation. Re-engineering of these documents, aligning them to the United Nations Layout Key, was carried out by the Central Bank of Nigeria, Nigerian Customs Service, Nigerian Ports Authority and Nigerian Shippers Council. See Trade Policy Review Nigeria, WTO WT/TPR/S/147, 2005

Tools for document alignment

The Trade Documents Toolkit, developed by the UN Regional Economic Commissions helps trade facilitators to design national trade documents aligned to the UN Layout Key. It contains an electronic toolkit for the development of write-enabled paper documents in PDF format, a handbook and sample document forms, and a library of resources for the alignment of trade documents. Documents developed with the Toolkit can be used for later extension to UNeDocs electronic trade documents. Prior to using the toolkit, it might be necessary to carry out analysis of existing procedures and related documents with a view to rationalising or complementing them. For this purpose, and to put the toolkit to practical use, technical assistance might be needed. In addition, Customs officials as well as other users of aligned trade documents should benefit from training.

Thailand

The Government of Thailand has started a process of establishing a national Single Window for e-Logistics. Several initiatives have been taken: Important national trade documents were simplified and aligned to the UN Layout Key. The Ministry of Transport completed a process of analyzing transport documents and modelling of the relevant documents and business processes using the UNeDocs. Data requirements from 57 transport-related documents were analyzed and harmonized. The initial number of 1,346 data elements could be reduced to 210 data elements. The Ministry of Information and Communication Technology commissioned a similar initiative for other 310 documents related to permits and licenses from controlling government agencies. Royal Thai Customs has replaced its traditional EDI system with ebXML-based e-export and e-import systems. It is working with 28 government agencies to integrate electronic licenses and permit with customs declaration information for faster cargo clearance. The national data harmonization is expected to complete by the third quarter of 2008.

References and tools available

UNECE instruments

Information on the UNECE standards UN/EDIFCAT and UNTDED can be found at www.unece.org/cefact/.

More details on UNeDocs are available at www.unece.org/etrades/unedocs/

In addition to the standards, several UN/CEFACT Recommendations provide more information on the standards and its implementation. They can be found at http://www.unece.org/cefact/recommendations/rec_index.htm.

- Recommendation No. 1: UN Layout Key,
- Recommendation No. 6 Aligned Invoice Layout Key for International Trade
- Recommendation No. 16 Code for Trade and Transport Locations UN/LOCODE
- Recommendation No. 22 Layout Key for Standard Consignment Instructions
- Recommendation No. 25 Use of the UN Electronic Data Interchange for Administration, Commerce and Transport Standard (UN/EDIFACT)

World Customs Organization (WCO)

WCO instruments include the WCO Customs Data Model. It is a global Customs standard to implement reduced data requirements and electronic submission of declarations and supporting documents. It forms the basis for the development of common electronic messages based on international standards. www.wcoomd.org/ie/En/Topics_Issues/FacilitationCustomsProcedures/facil_wco_data_model.htm

International Maritime Organization (IMO)

The IMO Convention on Facilitation of International Maritime Traffic (IMO-FAL) includes in its Standard 2.1 a list of documents that public authorities can demand from a ship and recommends the maximum information and number of copies. It has developed Standardized Forms for seven documents, including the ones for trade in goods such as the Cargo Declaration and Dangerous Good Declaration. http://www.imo.org/Conventions/contents.asp?topic_id=259&doc_id=684

Trade Documents Toolkit

A set of tools and guidelines, developed by the five UN regional economic commissions (ECE, ECLAC, ECA, ESCWA and ESCAP), for the design of national, sectoral and company trade documents and forms, based on international standards and other tools. UN Toolkit for aligned trade documents, see: <http://unece.unog.ch/etrade/tkhome.aspx>.

UNCTAD

The UNCTAD Expert Meeting 2006 was organised on the topic of ICT solutions to facilitate trade at border crossings and ports. The Background document (TD/B/COM.3/EM.27/2) and the report of the meeting (TD/B/COM.3/EM.27/3) can be found on the UNCTAD website. www.unctad.org.

Further UNCTAD Technical Notes

Further Technical Notes are available via <http://r0.unctad.org/ttl/technical-notes.htm>. See in particular:

- Technical Note No. 3 (Use of Customs Automation Systems)
- Technical Note No. 9 (Documentation Requirements in Maritime Transport)
- Technical Note No. 16 (The Electronic Submission of Trade Documentation)

The *Technical Notes* have been produced by technical experts contracted by UNCTAD within the Trust Fund project “Capacity building in developing countries and least developed countries to support their effective participation in the WTO Negotiations Process on trade facilitation”, financed by the Governments of Sweden and Spain in close collaboration with UNECE. Their purpose is to assist Geneva- and capital-based negotiators to better understand the scope and implications of the various trade facilitation measures being proposed in the context of multilateral negotiations on trade facilitation. The Technical Notes have not been edited, and the opinions expressed may not necessarily coincide with those of the organization or the donors of the Trust Fund. For comments and enquiries please contact trade.logistics@unctad.org. All Technical Notes are available via <http://r0.unctad.org/ttl/technical-notes.htm>
