



International
Trade
Centre



Impact of TFA on business sector development

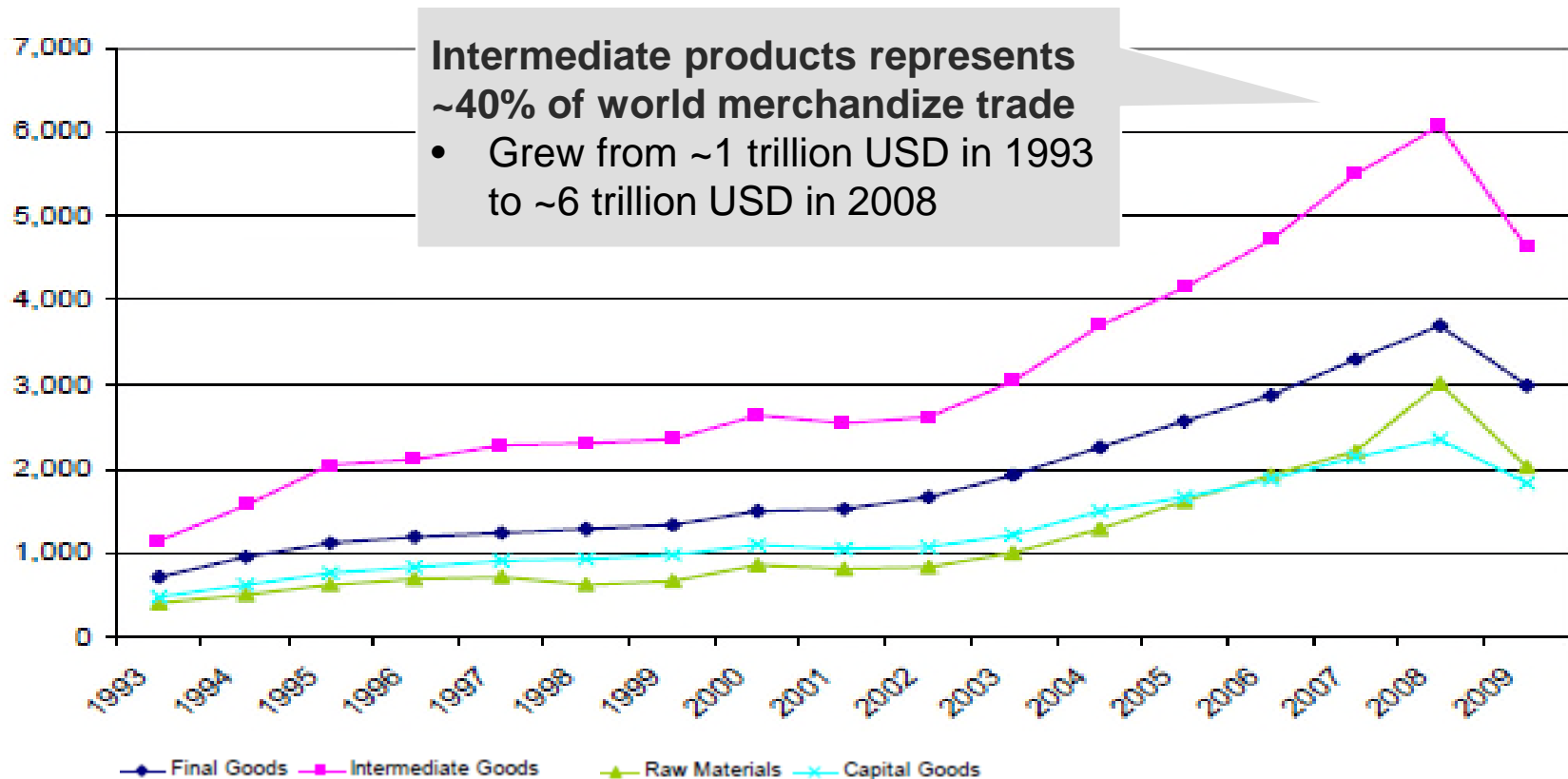
Workshop on the single window modality and e-trade and their role in promoting intra-OIC trade

Rajesh Aggarwal,
Chief,
Trade Facilitation and Policy for Business



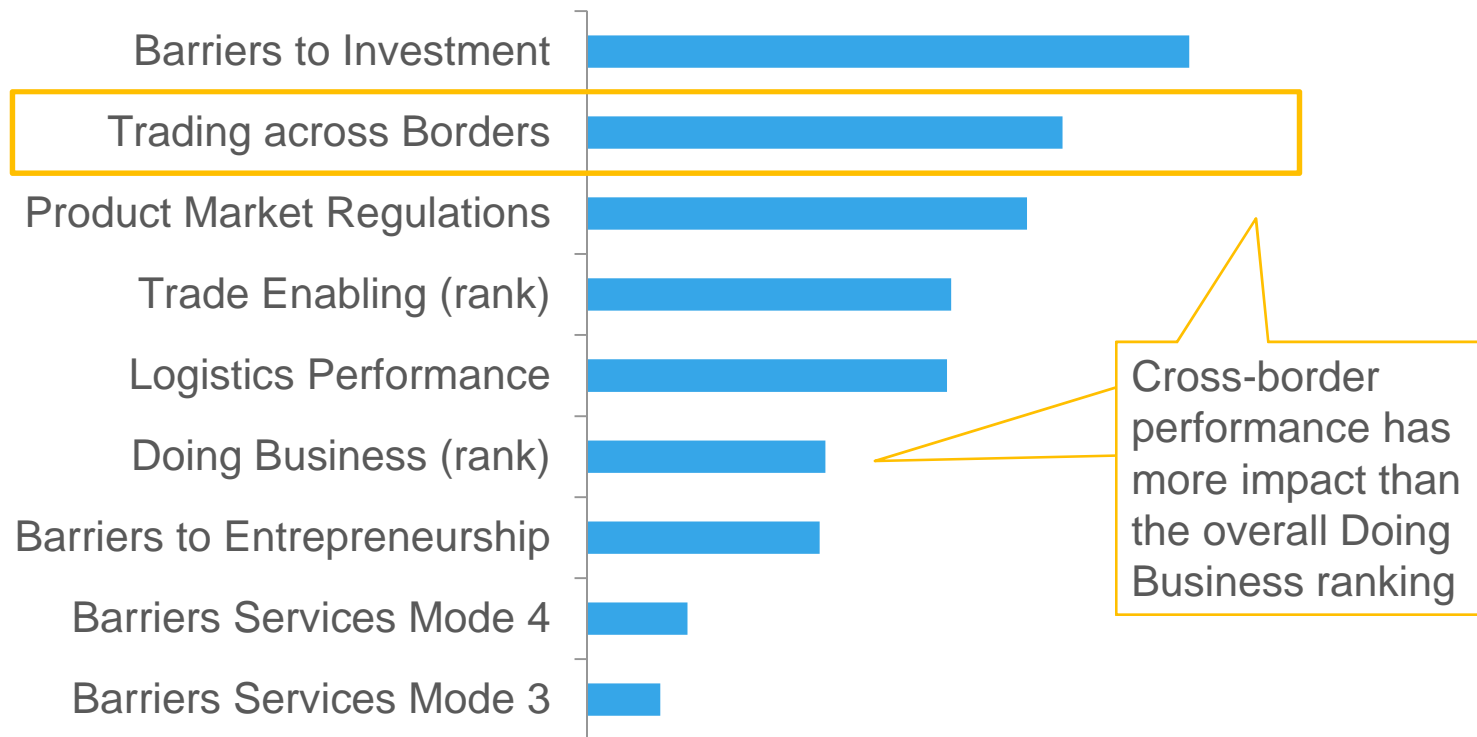
Geography of trade is changing and share of intermediate goods is rising

Evolution of export value by nature over the 1993-2009 period (in billion USD)



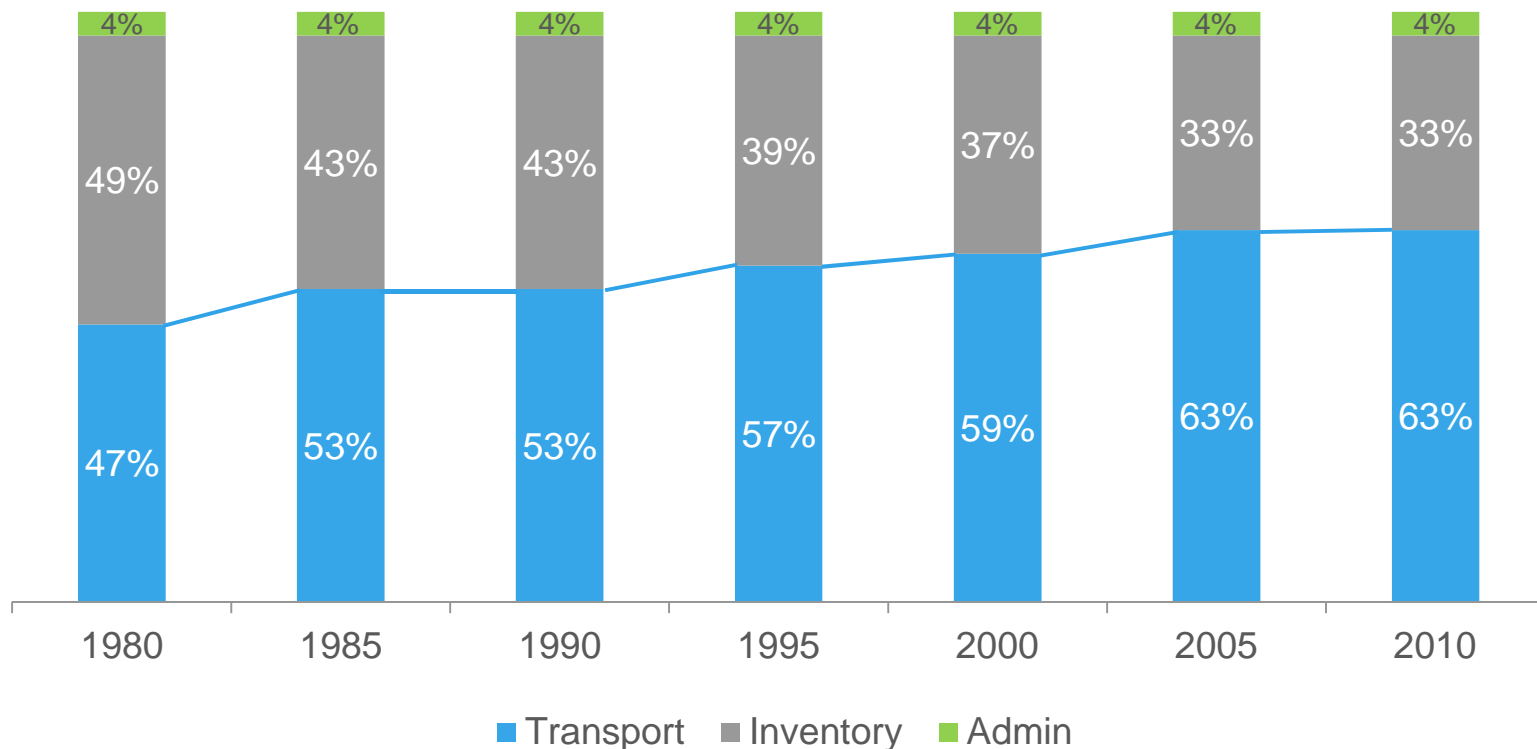
Cross-Border performance is the 2nd most important factor for participation in GVCs

Key factors associated with a country's participation in GVCs



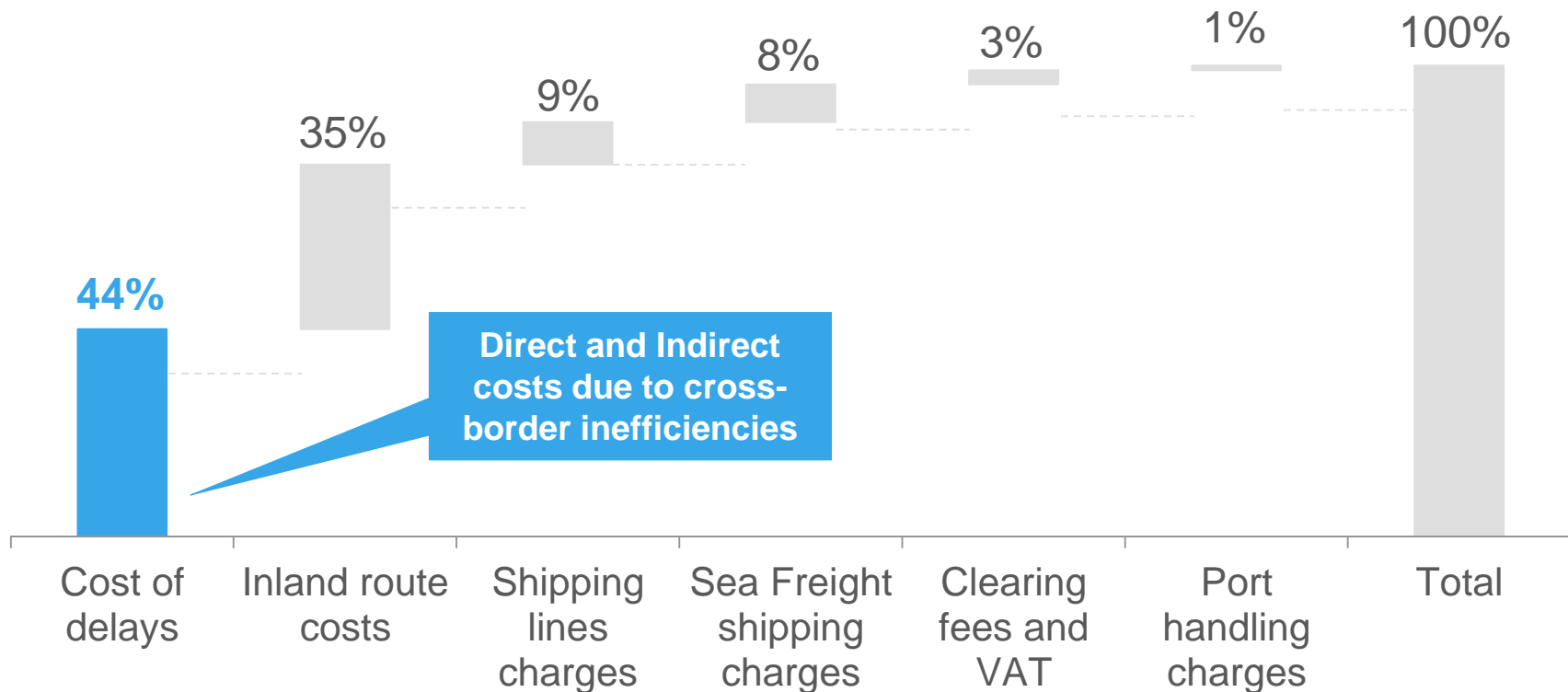
Transport costs are continuously increasing and reach ~63% of total logistics costs

Evolution logistics costs breakdown (1980-2010)



44% of transport costs can be related to cross-border inefficiencies

Transport costs breakdown on the northern corridor (% of total transport cost)



Border inefficiencies translate into direct and indirect costs

Direct costs

Time and resources invested in managing export administrative activities

- Collect, produce, transmit and process required information and documents

Indirect costs

Increased operational costs

- Delays translate into extra transport, insurance or demurrages

Increased working capital requirements

- Inventories immobilized are carried out by the exporter (except for EXW sales)

Product deterioration

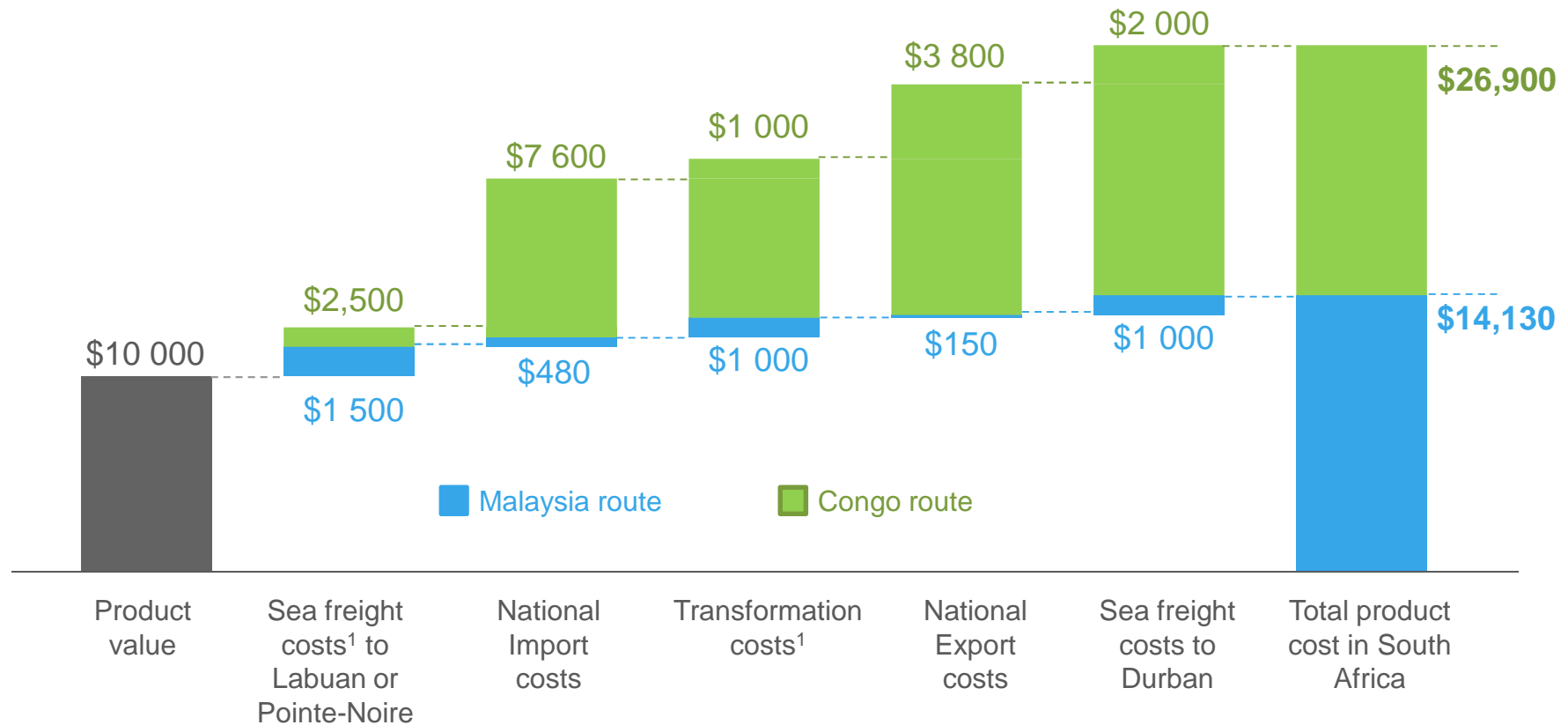
- Delays can lead to the degradation of products and render them unfit for sale

Lost business opportunities

- Direct: joining a punctual regional trade
- Indirect: immobilized stock could have been sold to a local client

Trade costs variances translate into significant competitive disadvantages

Fictional case study: sewing Italian shirts in Congo or Malaysia and delivery in South Africa



SME are particularly vulnerable to these border inefficiencies

- ! On a relative basis, SME dedicate more HR to export than large businesses
- ! Intermediate financing required to cover working capital needs is very expensive
- ! SME are often classified as “High risk” operators by border agencies...
- ! ...and they rarely can join “ Authorized Economic Operator” scheme
- ! SME cannot afford large logistics provider services who could speed up the border crossing process

3 complementary success factors to support SMEs participation to global value chains



Streamlined cross-border processes

- Efficient and transparent formalities, single window, processes simplification and automation
-

Efficient logistics services

- Ports operation, stevedoring, customs brokers, freight forwarders, land and sea transportation
-

Quality infrastructures

- Ports, roads, railway, border posts....

The Trade Facilitation Agreement meet businesses requirements

What traders want ?

What does the TFA provide ?

Transparent, accessible and predictable rules



Art. 1 – Easily accessible trade related information
Art. 3 – Issuance of advanced rulings

Standardized forms



Art. 10 – Use of international standards in an effort to promote uniform documentation and data requirements.

A single access point for all public services et agencies



Art. 8 – Border agency coordination
Art. 10.4 – Establishment of a “single window”

Simple, efficient and uniform formalities



Art. 10.7 – Common border procedure and documentation
Art. 7.4 – Risk management

Just and rewarding system



Art. 4 – Procedures for appeal or review
Art. 7.7 – Authorized operators

Be part of the policy making process



Art. 2 – Opportunity to comment
Art. 13 – Set-up of NTFC

Change the mindset



Border regulatory agencies to balance control and facilitation



Promoting collaboration and coordination between border regulatory agencies vs. working in silo



Considering the private sector as a client and trusted partner

Promote dedicated SME-friendly trade facilitation reforms

Authorized Operators

Design qualification criteria that can be met by SMEs

- Most existing AEO schemes automatically exclude smaller businesses
- Build capacity of SME to apply to the AO schemes, through dedicated awareness raising and training events

Enquiry points

Ensure services beyond capital/port city and in local languages

- Implementation of EP at border posts (including free terminals connected to the trade facilitation portal)
- EP Service in Swahili, not just English, at border posts in Tanzania

Electronic payment

Identify and implement payment methods which SMEs are more likely to use

- E.g. mobile money in Zimbabwe

Mobilize all stakeholders to better promote SME exports

Government

Be proactive in collecting SMEs inputs in the trade policy formulation process....

- Support small industry groups to formulate their recommendation and effectively participate to the consultation process
- Involve SME in the National Trade Facilitation Committees

MNC

By virtue of their size, MNCs have a privileged access to policy makers and they should advocate for reforms that also benefits SMEs

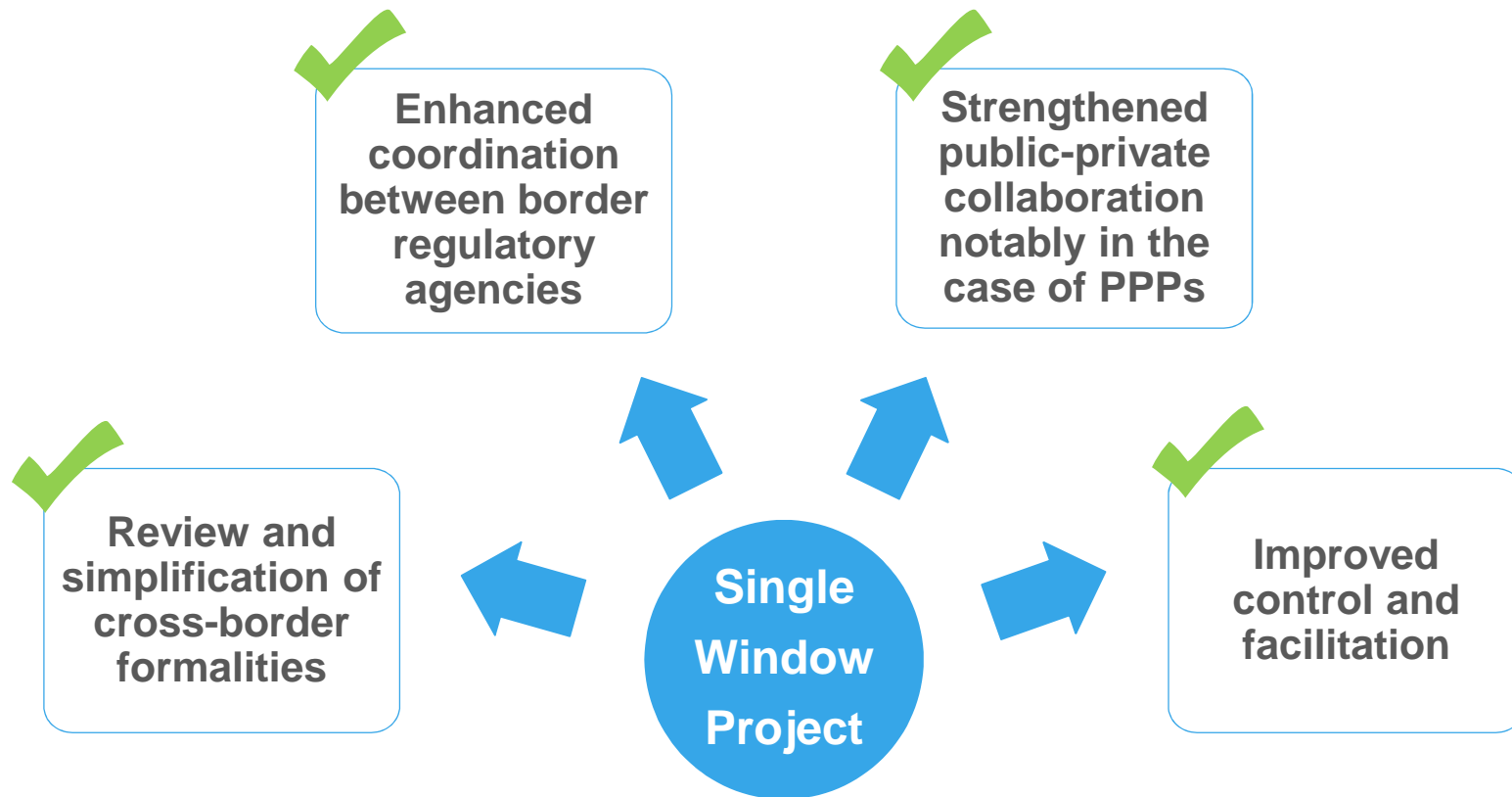
- SMEs are part of their production processes as suppliers or subcontractors

SME

Business are responsible to collaborate between themselves to come up with common positions

- Develop common recommendation that are back by thorough quantitative and qualitative analysis

A single window project can be the driver for change...



...but only if all players are involved in the project from design to implementation

Presenting ITC's integrated TF program

Improving SMEs Competitiveness for exports

Scheduling
commitments
under the WTO
TFA

Improving
inter-agency
coordination
and SME
involvement
in PPD

Enhancing
transparency
and access to
information

Improving
efficiency of
cross-border
procedures

Strengthening
SMEs ability to
cross borders

A holistic approach beyond TFA

Facilitating public-private dialogue in trade policy formulation

Collaborating with leading public and private TF agencies

Implementing TFA to promote and deepen regional integration

3 salient features of the ITC Trade facilitation program



Promoting the business perspective with a dedicated focus on SMEs



Promoting stakeholders collaboration at the national and donors levels



Promoting regional approaches to the implementation of TF reforms

Thank you for your attention

