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Trade Facilitation and its Expected Impact on Arab and Syrian Trade

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Introduction

Trade facilitation covers many important issues related to movement and riddance goods, custom administration, services of trade support, communication efficiency, and transportation ...etc. trade facilitation plays an important role in international trade. it can maintain many economic benefits by using information technology and communication which have developed in the last decades. Electronic documents exchange and trade data help to increase safety, transparency and revenues to both government and private sector. Also, Electronic documents exchange enables reducing transaction costs through easy treatment of information and data, in addition to saving time in importing process with less bribes and corruption.

1. The Definition and Concept of Trade Facilitations

Trade facilitations are defined as regular simplification of procedures and documents which used in international trade ,which means that trade procedures include all formal activities and practices related to collecting ,providing, and dealing with necessary data for goods movement (transports) in international trade.

According to United Nations conference on trade and development broad trade facilitation concept means encouraging countries to establish local trade points, which in normal and electronic trade contain in the same package several commissions and administrations, which participate in foreign trade transactions in away of providing required services to complete these deals efficiently and quickly.

Narrow concept of trade facilitation means working on improving documentary and procedural requirements that imposed by countries to assure consistency with its applied rules in importing, exporting and transit.

Many international organizations work to facilitate trade, such as : World Customs Organization (WCO),which has issued in cooperation with other organizations, the International Agreement on Simplifying and Harmonizing Custom Procedures (keuto Agreement), Economic Commission for Europe (an institute of United Nations) (UN/ECE) which has developed international standards for data electronic exchange and electronic business , and United Nation Conference on Trade Development(UNCTAD), which has put a program to automate custom procedures. This program is implemented in more than 70 developing countries.

Trade facilitation has been added to World Trade Organization agenda in its ministerial conference in Singapore in 1996. WTO has realized that increased costs and inability to predict for these increases as a result of complex bureaucratic procedures consist trade barriers more than tariffs, especially after these tariffs have been reduced significantly.

A special article (NO 27) was included in Doha declaration for development issued by the 4th ministerial conference of WTO, which was held in Doha in 2001. This article illustrates that council of trade in commodities has to review, clarify, and improve aspects related to articles of GAT agreement in 1994 in addition to identifying trade facilitation needs and members priorities of developing and least developing countries and commitment to provide technical help and needed support for building capacities in this regard.

The 5th WTO ministerial conference held in Cancun, Mexico in 2003, was supposed to give a big interest to trade facilitation, but failing to achieve its goals and this resulted in postponing the negotiations.

Member states attempts to keep multi trade system, and they reached an agreement on many subjects which was called July Package including trade facilitation issued at the end of July in

2004. Annex D of this package has identified negotiations' main points and its methods that concern trade facilitation like forming a negotiating team for this issue.

Trade facilitations contribute in economic growth. Its benefits exceed the benefits of eliminating tariffs. A study conducted by Organization of Economic Cooperation and Development, shows that trade facilitation may increase world output by \$40 billion.

Another study conducted by the International Bank indicates that improving capacities in four fields of trade facilitation (air and sea transport, customs, legislations, and infrastructure services) may increase world trade volume by \$377 billion yearly.

2. Trade Facilitations Negotiation in WTO

Current negotiations include articles 5, 8, and 10 of GATT signed in 1994:

Article (5): about main principles which permit free transit crossing in member countries.

Main suggestions about this article:

- Simplifying custom procedures and required documents and unifying these documents to be in one pattern.
- Undifferentiating in treatment between two transit sides, individual exporters and importers, and shipment types.
- Implementing current transit mechanism and arrangements at the international and regional level.

Article (8): about fees and procedures related to export and import which determine the need to lessen complexities of export and import procedures and required documents for this purpose.

Most important suggestions on this article in negotiations:

- Identifying trade documents needs according to international standards.
- Using the basic pattern of trade documents which is adopted by united nation
- Establishing information bank for trade documents
- Unifying information staff needs.

Article (10): about managing trade systems which impose their conditions regarding:

- Transparency, possibility of signing, and publishing rules and laws which are related to trade taking into account the ability of accessing this information quickly and easily.
- not implementing any procedure before publishing it
- honesty (unbias) in managing rules and systems

Most important suggestions on this article in the context of negotiations:

- Using internet as a way for publishing
- Adopting a Single window system
- Establishing a deliberation mechanism between trade department and the government.

Negotiations also include topics of increasing technical help and supporting capacity building in trade facilitation in addition to finding ways to achieve effective cooperation between custom department and other related authorities about trade facilitation and commitment to custom rules at the same time taking into account what is going on in this regard in World Custom Organization and other international organizations.

These negotiations rely on national treatment principle for developing and less developing countries, with affirming that implementation it should exceed traditional and transitional periods to implement agreements, in addition, the commitment and its implementing time has to be complied with countries capacities in development, finance, trade, administration, and institutions in a way that these countries aren't forced to invest infrastructural projects larger than its ability.

3. New Issues in Trade Facilitation

3.1. Trade and security

Since September' events in 2001, focus has started not only on trade facilitations, but also on trade protection. These events have added a new dimension, where instead of checking goods and commodities at harbors, trade is allowed in risky trade areas.

In the end of 2002, USA set an initiative for CSI (container security initiative) which includes:

- Identifying focus on most risky containers
- Checking these most risky containers from departure harbor.
- Using technology to check the containers.

In addition, USA has adopted many procedures about containers that shipped through seas.

These security procedures may have negative effect on fastness and trade flows, trade costs, and subsequently affect the trade facilitation concept.

Furthermore, security procedures may be used badly by developed countries, and thus affect developing countries' interest negatively.

3.2. Single Windows

Single window is considered a new topic in custom and trade facilitations issue. Single window increases efficiency of custom procedures and reduces trader's obstacles by saving time for traders through one formal administration in addition to saving customer' time in achieving custom actions.

A study conducted by UNCTAD on Guatemala's experience in single window refers that establishing Single windows in 1986 to serve export in reducing time from 10 - 12 days to 8 – 6 days in the first phase, then after using technical equipments in 2000, achieving documents have taken only few minutes.

3.3. Paperless Trade

Trade procedures are facing several financial difficulties, and time and logistic obstacles, which cost companies billions dollars yearly.

A study conducted by UN refers to positive results of electronic exchange trade documents. International trade will reach revenues of \$ 620 billion every year in case of adopting new system. New electronic system work to give opportunity for business commissions to exchange electronic trade documents. This system is considered the only system that has the recognition of world institutions for exchange electronic documents in a safe environment.

4. Importance of Trade Facilitations

The importance of trade facilitations lie in simplifying and facilitating procedures related to export and import by enabling countries to liberalize their trade and allows flows of their products to world markets and vice versa. International trade accounts for 30% of world growth

domestic product and it is expected to reach 50% in 2020 as a result of fast developments in information and communication systems.

Facilitation of goods and commodities flow has a strategic dimension as a result of current and expected increases in goods transports' costs.

For example, reducing the cost of air and sea transport in Asia by 1% leads to an increase in growth domestic product by \$3.03 billion, also, increases the efficiency of harbors, custom environment, structural frame work and services sector structure.

In addition, every day long time saving in freight riddance requirements reduces about 0.5 % in added value tariff.

Moreover, low transportation cost results in improving companies' capacity to increase wages, which has positive impact on direct foreign investments flow, and developing small and medium companies, which are considered the main engine to development and employment in transitional economic countries. Also, reducing transport cost decreases production cost as a result of total cost decreases.

5. Developing Countries' Positions Toward Trade Facilitation

Trade facilitation provides good advantages to developed countries, but it provides more advantages to developing countries. In developing countries, freight costs are higher and transit time is longer. For example: if a truck passes the border between Uzbekistan and Kazakhstan, it has to offer 70 documents, many signatures and pay informally between \$1,500 and \$2,000.

The time between offering and delivering the application for these two neighbors in middle Asia is 186 days; this delay has a big influence on developing countries' exports especially for perishable agricultural products.

One day delay could reduce perishable agricultural exports, such as: maize, apricot and cucumber by 7% comorting with long storgeable agricultural such as: apples or potatoes. Accordingly many countries particularly in Africa aren't able to take the advantage of current tariff exemptions or trade liberalization in OECD agricultural markets according to WTO agreement unless these countries simplify their export procedures.

Most delay cases are attributed to administrative obstacles, which may be custom and tax procedures, permissions, and truck checking process. These obstacles often occur before goods arrive to harbor.

Infrastructure problems are considered big, especially for African countries that don't have seashore, where bad infrastructure can increase delay time , so that exporters need to be consistently with countries boarder's requirements.

Transportation and custom facilitations are considered the main approach to increased efficiency. Such reforms are successful in South Africa and are to be applied in West Africa. Moreover Eliminating export barriers will extend private market opportunities.

Yet, many developing countries have objected imposing any new rules in WTO related to trade facilitation justifying their objection by the believe that, there isn't any benefit of these rules. Conversely, developing countries believe that implementing such rules will lead to more problems. Many developed and developing countries supported the idea of starting negotiation on trade facilitation and transparency by providing governments including Arab countries with services and goods, in addition to remitting investment and competition policy to be discussed in Geneva

Some developing countries like Brazil and India have continued to object starting negotiations assuring that there wasn't a clear consensus on these topics as Doha declaration demanded.

Developed countries asked for common standards for custom procedures because of corruption in some countries in these procedures which is an invisible obstacle of trade. Developing countries refuse imposing such procedures claiming an intervention in its dominating policies.

6. Trade Facilitations in Arab Countries

Trade in Arab countries is facing many difficulties such as: high tariff that reach 19%, security, regional obstacles, non tariff barriers in addition to bureaucracy. For instance transparency absence in concerned bodies, many barriers at borders , exaggeration in requesting documents, unavailable harmonized systems for transport goods ,and unclear licensing needs or consistent with quality standards , despite that the social and economic council in Arab league and custom 'directors have issued many decisions about dealing with obstacles and non tariff barrier.

A single window system has become necessary for trade facilitation. This system allows all parties to keep data and documents to insure all export, import and transit requirements. Also saving time and reducing cost, achieving transparency, distributions goods in the best way and accelerating custom riddance and increasing its efficiency.

For example, custom administration prepares all trade data or finding information system such as Singapore's and other countries which have done many experiments. These services are provided free of charge or by cheap for users through sharing between government and private sector, or sometimes one of them finance this service to use it optional or obligatory according to model that the country has selected it.

Arab countries need more coordination among them and with international organizations like Economic and Social Commission Western Asia especially in implementing single windows to all these countries and using accumulated skills and experiences to activate tools and polices to facilitate trade among Arab countries them selves as a regional block with other world regions to execute enterprises that facilitates intra Arab trade and stimulates their exports inside and outside the area by making trade with different countries all over the world. Also, extending these exports to reach non Arab markets, in order to stimulating domestic industrial development.

Many Arab countries have established what so called single window for investors to facilitate investment procedures which have had a good impact on improving investors' requirements.

As for trade, the very long time and procedures that needed for getting permissions, licenses, and custom documents which are unnecessary in some cases are still form obstacles for goods and commodities flow from one country to another.

What is needed now, is establishing single window for trade in all Arab countries such as the case in investment windows as a primary step toward improving trade efficiency and reducing its cost.

Although Arab countries, have reduced tariffs, minimized non tariff cost, and strengthened advanced trade flow through bilateral and regional agreements such as free trade agreement between USA and each one of Jordan, Morocco, and Bahrain, Agadir Agreement between European Union and Morocco, Jordan, Tunisia, and Egypt, and Great Arab Free Trade Area, the needed time to finish export procedures in Iraq is more than 100 days and reach 100 days to finish import procedures. Sudan comes second where needed time for the import is 57 days and 40 days for the export. United Arab Emirates is considered the most efficient Arab countries regarding the needed time for export and import which reach 12 days only.

In addition, export and import cost (dollar /shipment) is very light reaches \$3400 in Iraq, followed by Sudan, Syria and Algeria. United Arab Emirates is also considered the most Arab countries efficient in this regard, because the import and export cost is less than \$500 for every

shipment, followed by Tunisia which is the first industrial country in Arab region with the exception to oil industries.

7. Trade Facilitations in Syria

Ministry of economy and Trade in Syrian Arab Republic has recently exerted a big effort to simplify and facilitate goods movement. However, there are many obstacles which should be treated such as reforming foreign trade rules.

As for trade systems in Syria, they are considered somehow complex where the Ministry of Economy and Trade is working on simplifying and modernizing them, but legislations elations like trade and companies' law were updated recently.

As for custom administration, this administration has performed a distinct effort during the last three years. The most important one is the achievement was issuing a new custom rule number (38) in 2005, in addition to issuing tariff adjustments to be harmonized according to scientific bases.

8. Syria Position of Trade Facilitation

Syria and other Arab countries recognize possible benefits gained by implementing trade facilitations procedures that include enhancing Arab economies competitiveness, increasing intra-Arab commercial exchange, and taking advantages of these benefits.

Also, they realize the costs of trade facilitations procedures. In this regard, Syria welcomes proposal (D) which focus on consistency between commitments in one hand and costs, finding resources to implement any likely result, providing financial or technical recourses for capacity building of developing and less developing countries in the other hand.

Syria has affirmed the necessity to increase cooperation and coordination between international and regional organization to provide technical aids to Arab countries and support their capacity building in trade facilitations.

In this regard, Ministry of Trade and Economy issued on 13/11/2006 a decision includes establishing facilitation and efficiency of trade directorate. Its mission is specified to identity needs and priorities of facilitation and efficiency of trade in Syria. And facilitating trade by regular simplification of procedures and used documents in Syrian foreign trade (exports and imports). Trade procedures include all activities and formal practices which related to collect, offer and treat required data for goods movement which enter in international trade in addition to coordinate with international relation directorate about technical aid topics and capacity building in trade facilitation provided by international and Arab organization.

9. New Recommendations to Facilitate and Accelerate Good Movements in Syria

- Modernizing foreign trade systems.
- Developing, training and qualifying human resources in banks and custom department.
- Providing necessary infrastructure to custom clearance processes such as laboratories and storing courtyards.
- Simplifying custom procedures and increasing work time hours in custom departments.

- Publishing economic and custom legislations periodically and comprehensively.
- Modernizing Harbors, increasing efficiency of its services, and extending its stores.
- Improving services provided by industrial and trade chambers to members through :
 1. Awareness about agreement and development advantages.
 2. Publishing legislations and decrees.
 3. Cooperating with international organizations.
 4. Preparing studies for current and future situation for all related economic sectors