

# **WTO TRADE FACILITATION AGREEMENT AND NEPAL**

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# OUTLINE OF PRESENTATION

- **Background**
- **Defining Trade Facilitation**
- **The Objective of the TFA**
- **Major provision of TFA**
- **Synopsis of TFA**
- **TFA and Nepal**
- **Expected Benefits**
- **Underlying Challenges**

# Background

- Singapore Ministerial Declaration, 1996
- Directed the Council of Trade in Goods (CTG) - undertake exploratory and analytical work on simplification of trade procedures
- TF was included in Doha Agenda, 2001
- July Package, 2004: start negotiations on TF
- Formal negotiation started from 6th MC/ HK, 2005

# Defining TF

- **OECD**: Trade facilitation refers to policies and measures aimed at easing trade costs by improving efficiency at each stage of the international trade chain.
- **UN/CEFACT**: The simplification, standardization and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make payment.
- **APEC**: Trade facilitation refers to the simplification and rationalization of customs and other administrative procedures that hinder, delay or increase the cost of moving goods across international borders

# Defining TF ...

- **UNCTAD** : Trade facilitation seeks to establish a transparent and predictable environment for cross-border trade transactions based on simple, standardized customs procedures and practices, documentation requirements, cargo and transit operations, and trade and transport arrangements.
- **European Commission**: Trade facilitation can be defined as the simplification and harmonization of international trade procedures including import and export procedures. Procedures in this context largely refer to the activities involved in collecting, presenting, communicating and processing the data required for movement of goods in international trade

# Defining TF ...

- **WTO** 'The simplification and harmonization of international trade procedures where trade procedures are the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade'.
  - *Systematic rationalization of procedures and documentation for international trade.*
  - Clarifies GATT Art. V, VIII & X
- **Article V** *Freedom of Transit*
- **Article VIII** *Fees and Formalities connected with Importation and Exportation*
- **Article X** *Publication and Administration of Trade Procedures*

# Defining TF ...

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## Trade Facilitation

**Simplification:** process of eliminating all unnecessary procedures, formalities and processes

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**Standardization:** alignment of national procedure, operations and documents with international conventions, standards and practices

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**Harmonization:** making compatible domestic rules and procedures with internationally agreed rules/ formats/ practices/procedures/ documents

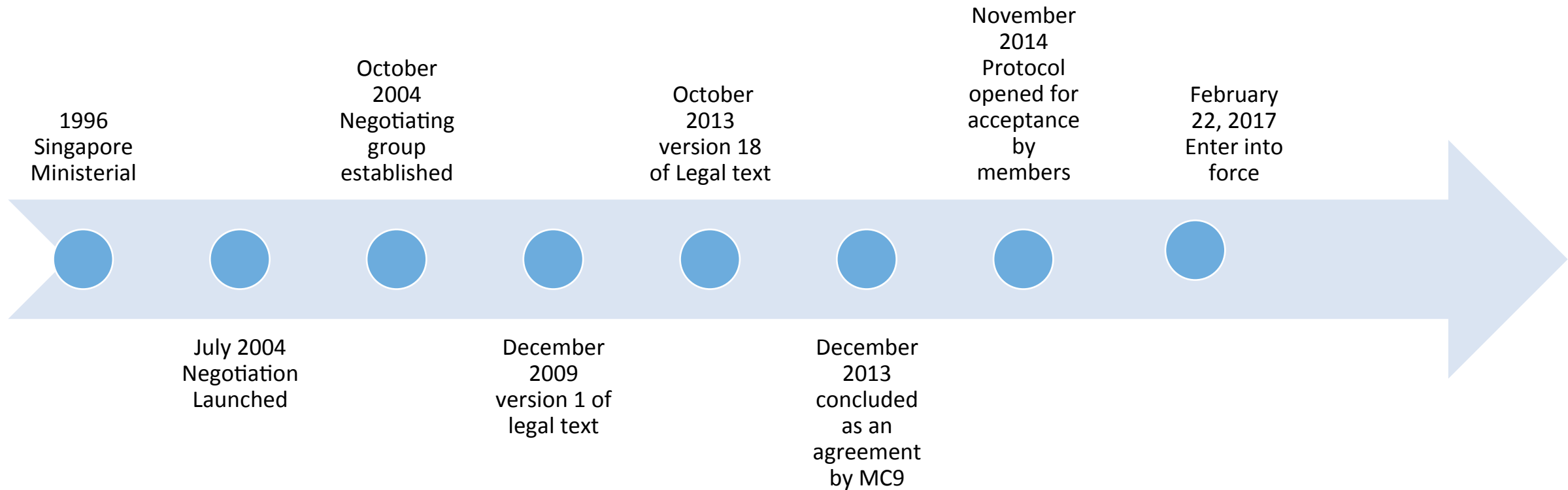
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# TF Negotiation Mandate

- Clarify and improve relevant aspects of Articles of GATT 1994:
  - i. Article V – Freedom of Transit
  - ii. Article VIII – Fees and Formalities connected with Importation and Exportation
  - iii. Article X - Publication and Administration of Trade Regulations
- Ensure adequate technical assistance and support for capacity building in this area for developing countries and least developed countries.



# TF Negotiation and Beyond



# The Bali Package



## Agreement on Trade Facilitation

## Agriculture

- General Services
- Public Stockholding for Food Security
- Tariff Rate Quota Administration
- Export Competition

## Development and LDC Issues

- Preferential Rules of Origin
- Operationalization of LDCs Service Waiver
- Duty Free Quota Free Market Access
- Cotton
- Monitoring Mechanism on Special and Differential Treatment

## Major Objectives

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graph LR; A[Major Objectives] --- B[Expedite the movement, release and clearance of goods including goods in transit.]; A --- C[Enhance assistance and support for capacity building to address particular needs of developing and least-developed countries.]; A --- D[Ensure effective cooperation among WTO members on trade facilitation and customs compliance issues.]
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Expedite the movement, release and clearance of goods including goods in transit.

Enhance assistance and support for capacity building to address particular needs of developing and least-developed countries.

Ensure effective cooperation among WTO members on trade facilitation and customs compliance issues.

# Major Provisions

# Major provisions of TFA



## **Section I**

The TFA contains 12 Articles) with approximately 40 “technical measures” (Articles 1 - 12)



## **Section II**

Special provisions for developing and least-developed country Members (Articles 13 – 22)



## **Section III**

Final provisions and institutional arrangements (Articles 23 – 24).

# Substantial Provisions of TFA

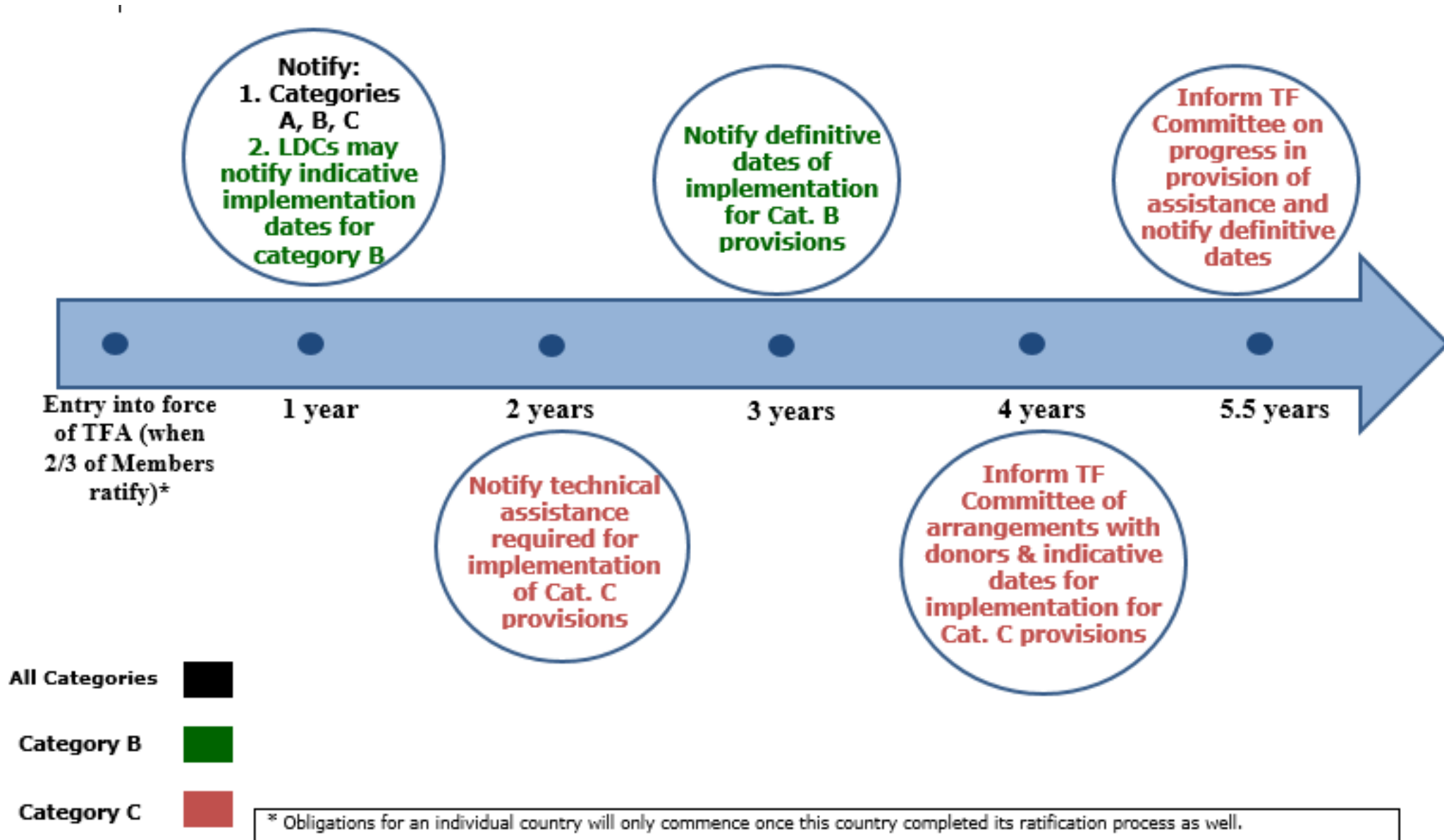
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- GATT X: — [ Art. 1: Publication & Availability of Information  
Art. 2: Opportunity to Comment, Information before Entry into Force & Consultation  
Art. 3: Advance Rulings  
Art. 4: Appeal or Review Procedures  
Art. 5: Other Measures to Enhance Impartiality, Non-Discrimination and Transparency
- GATT VIII: — [ Art. 6: Disciplines on Fees & Charges imposed on or in connection with Import & Export  
Art. 7: Release and Clearance of Goods  
Art. 8: Border Agency Cooperation  
Art. 9: Movement of Goods under Customs Control intended for Import  
Art. 10: Formalities Connected with Importation and Exportation and Transit
- GATT V: — [ Art. 11: Freedom of Transit  
Art. 12: Customs Cooperation
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# Special and Differential Provisions of TFA

- Assistance and support need to be provided to Developing and Least Developed Countries to implement provisions of Agreement.
- LDC are required to take commitments as per their development needs and capacity.
- Provisions of the Agreement are to be categorized for implementation Purpose
  - a. Category A: Could be implemented upon entry into force of agreement (in the case of a least-developed country member within one year after entry into force).
  - b. Category B: Could be implemented after some period of transition
  - c. Category C: Required assistance and support for implementation
- Provisions falling under the categories need to be notified to the WTO.

# Transition Period for LDC





# Trade Facilitation Agreement Facility/TFAF

- Launched on 22 July, 2014
- ‘Matchmaking’ for capacity building

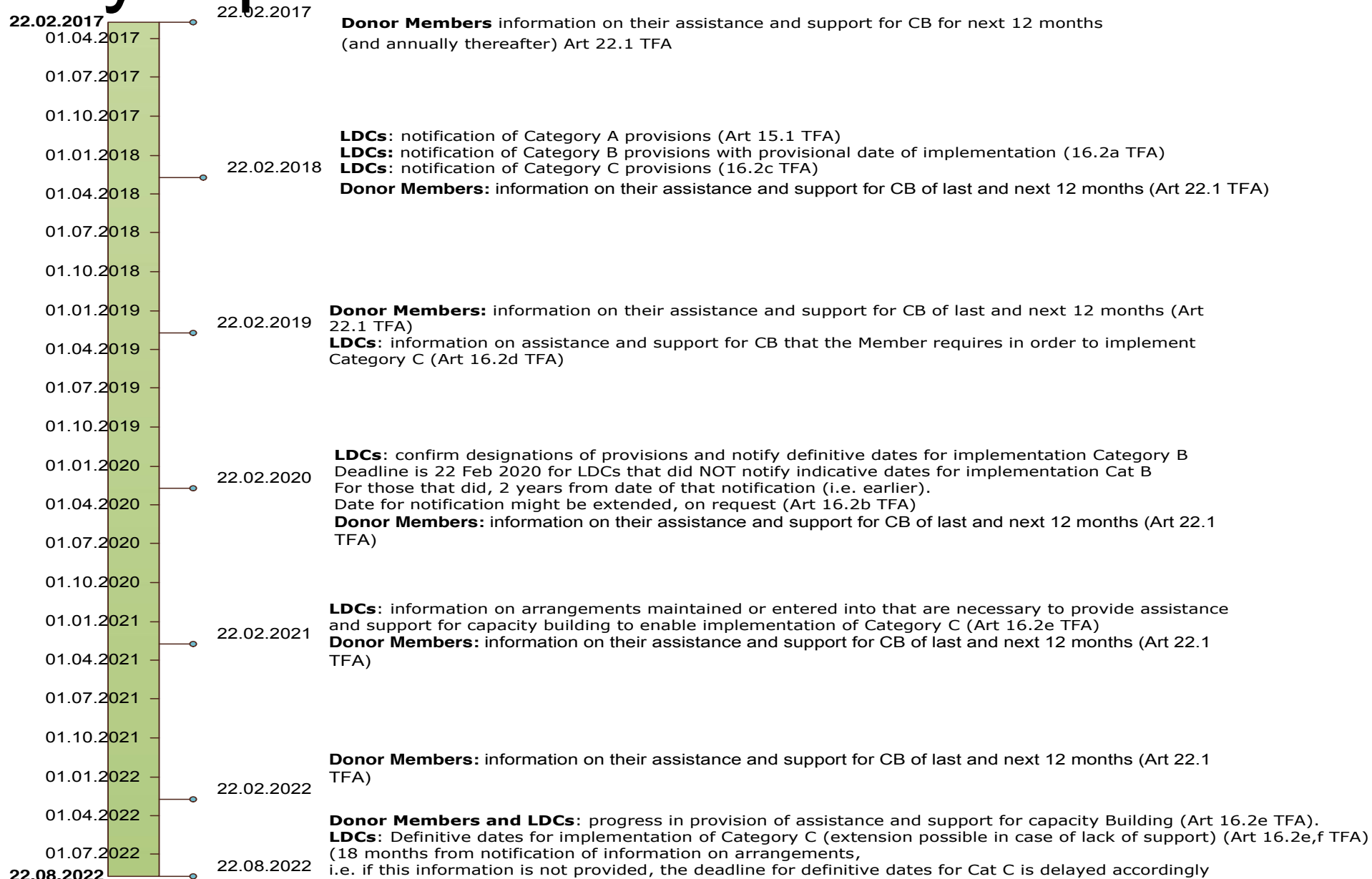
## **Project preparation grants**

- To prepare a project – If Member has identified a potential donor, but unable to develop a project
- Maximum - US\$30,000

## **Project implementation grants**

- For implementation of the TFA provisions
- Are limited to “soft infrastructure” - modernization of customs laws, in-country workshops, trainings of officials etc.
- Maximum - US\$200,000.

# Synopsis of TFA ...



# Institutional Linkages

**WCO** : has developed of instruments related to TF i.e. original / *Revised Kyoto Conventions (Simplification and Harmonization of Customs Procedures, compliance with regulation, risk management, border agency partnership.*

**World Bank**: provider of data on trade facilitation and infrastructure development

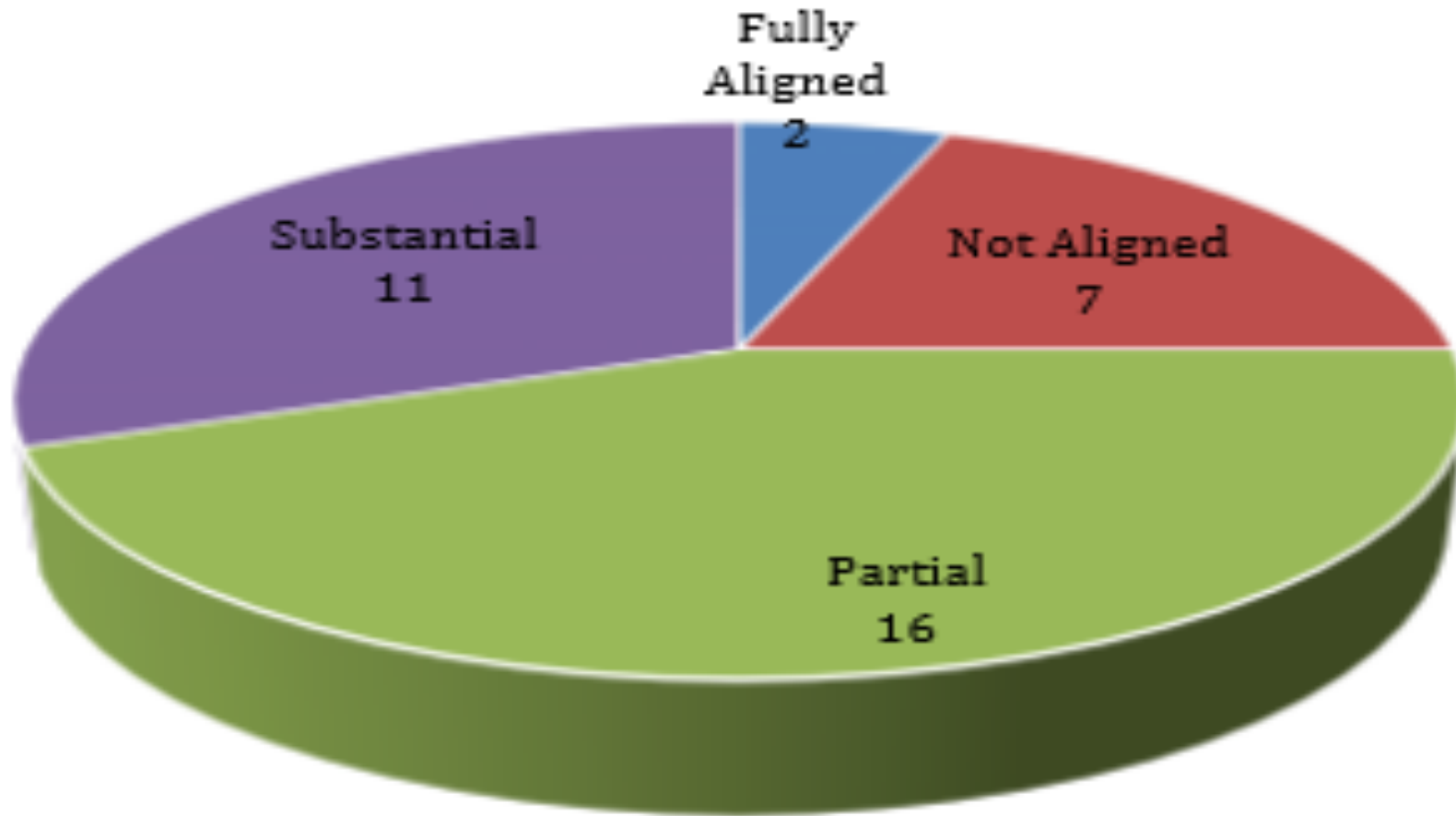
**UNCTAD** : computerized customs management system -Automated System for Customs data (ASYCUDA) which aims at speeding up customs clearance

**OECD**: quantitative economic research on the costs and benefits of trade facilitation with the help of its Trade Facilitation Indicators (TFIs)

# **Findings of TFA Need Assessment**

# TFA Gap assessment

- Government of Nepal endorsed the study report — "WTO Trade Facilitation Agreement: Nepal Gap Assessment and Implementation Action Plan".
- Feedbacks were received on draft report from major stakeholders including the Department of Customs.
- Among the 36 TF measures, the report identified 2 TF measures under category A, 15 under category B and 19 under category C.



Number of TFA Measures and their Compliance Level.



Number of Measures Proposed for Implementation Categories

# Category – B TF Measures: 15

Publication

Opportunity to Comment  
and Information before  
Entry into Force

Consultations

Penalty Disciplines

Specific disciplines on Fees  
and Charges Imposed on or  
in Connection with  
Importation and  
Exportation

General Disciplines on Fees  
and Charges Imposed on or  
in Connection with  
Importation and  
Exportation

Detention

Procedure for appeal or  
review

Pre-arrival Processing

Separation of Release from  
Final Determination of  
Customs Duties, Taxes, Fees  
and Charges

Acceptance of Copies

Rejected Goods

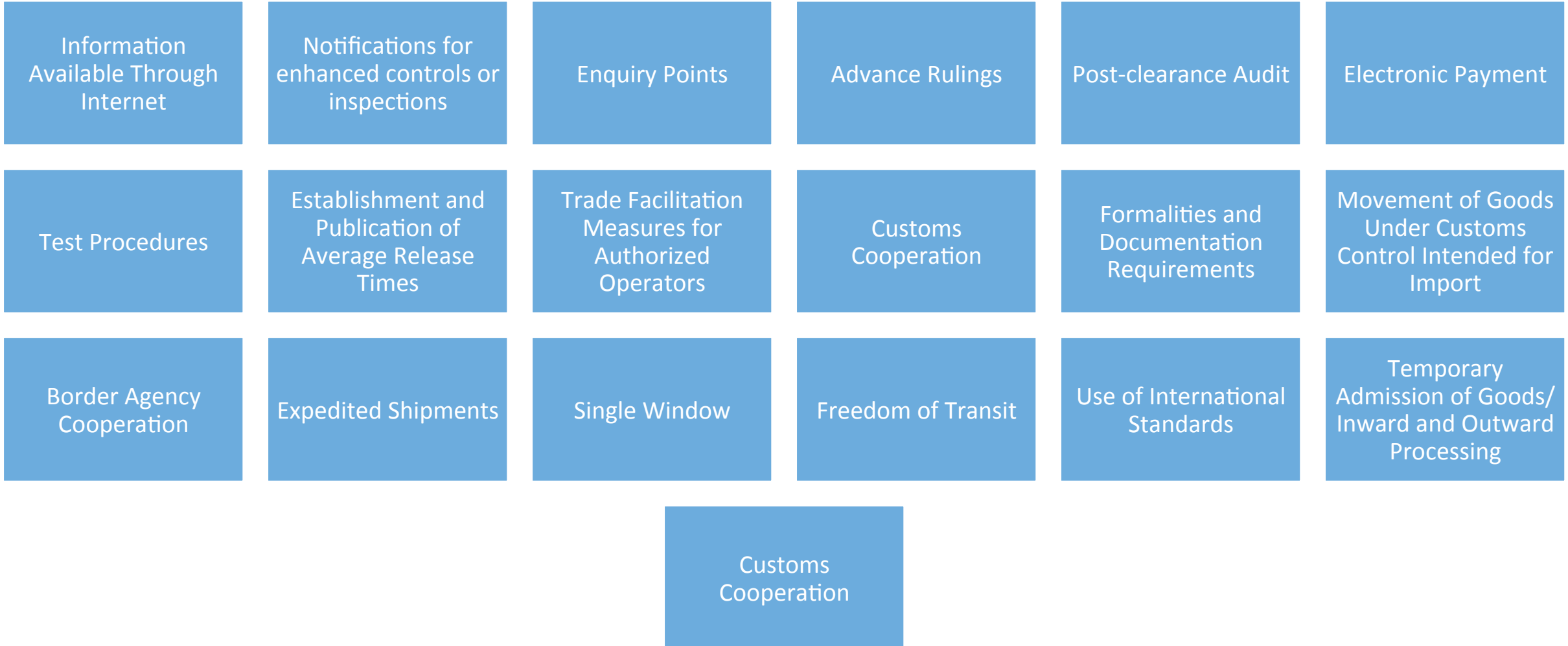
Common Border Procedure  
and Uniform  
Documentation

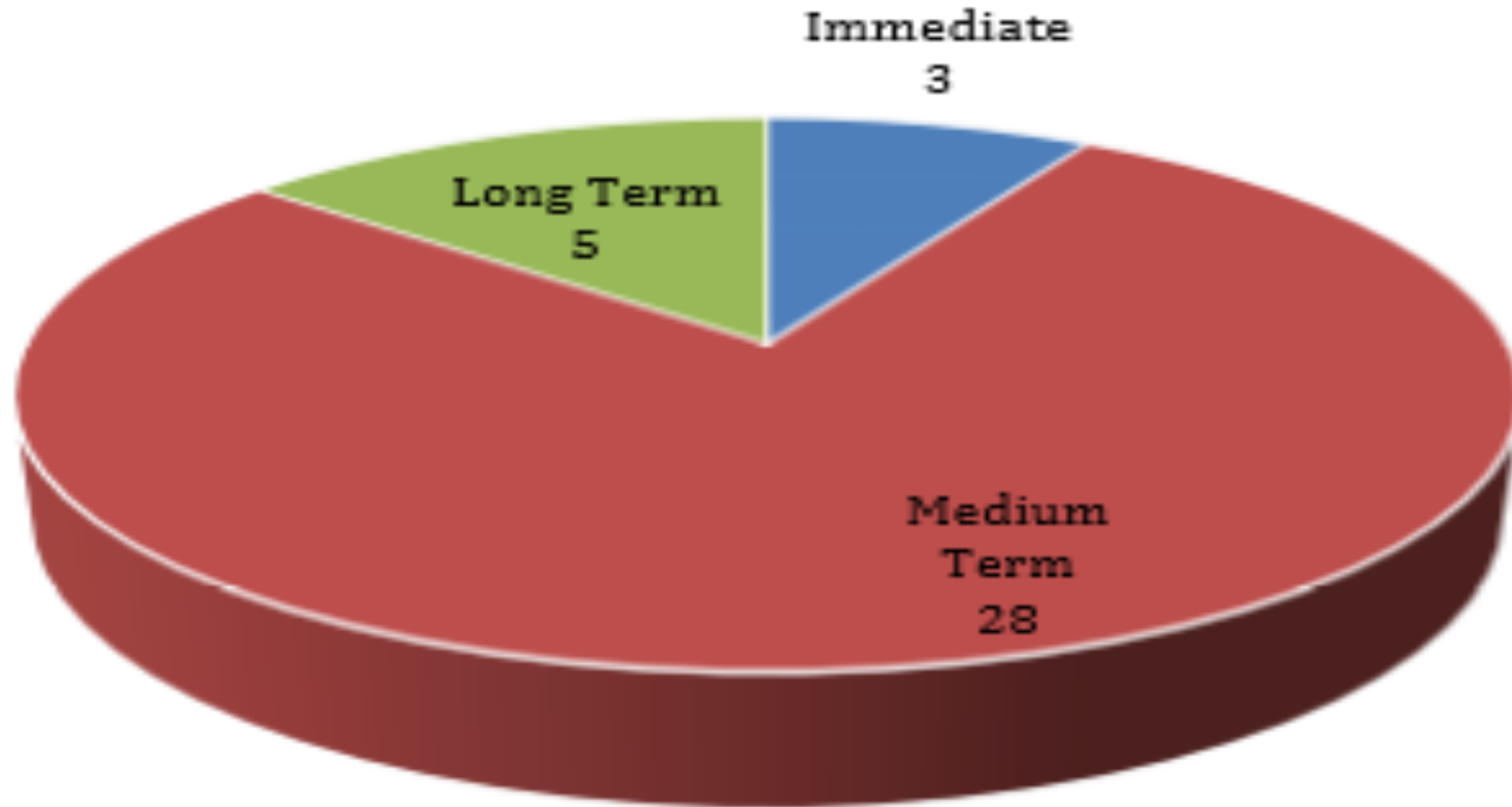
National Committee on TFA

Perishable Goods

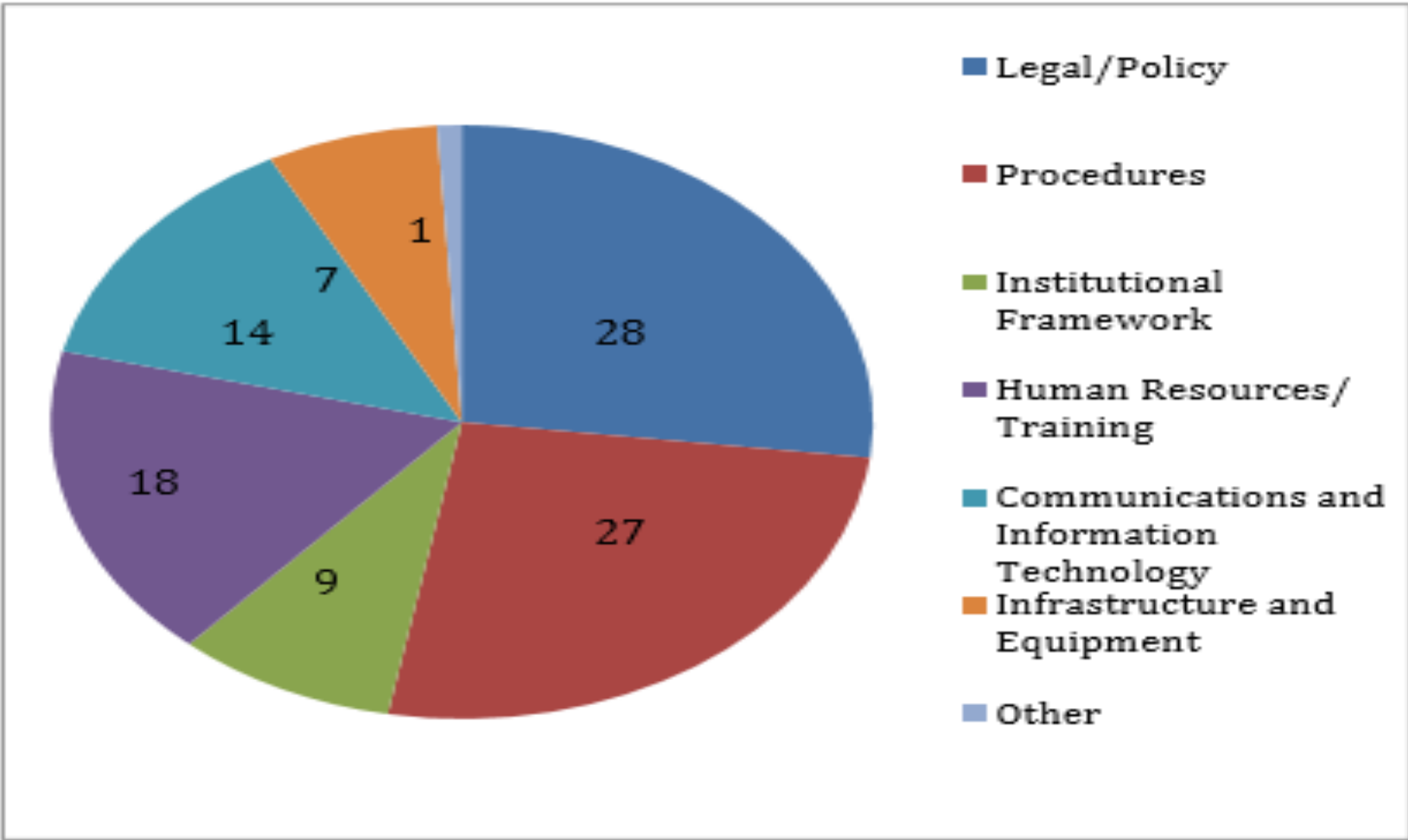


# Category – C TF Measures: 19





Time Required to Implement Number of TFA Measures



Numbers of and Types of Actions Required to Implement TFA Measures

# Current Status in WTO

- Preparatory Committee on Trade Facilitation is established in WTO to work on trade facilitation.
- Expected to cut the trade cost by 14 Percentage, increase 1 trillion USD in GDP
- Trade Facilitation Agreement Facility has been established in WTO to ensure Developing and Least Developed Countries receive the assistance they probably need.
- 121 WTO member (as of 19 July) has ratified the agreement by their parliament.
- Notification of Category A- 96 members, Notification of Category B- 17 members and Category C-11 countries.
- The two third of membership is 110 member. (total members 164)

# Context of Nepal

- Played an active role during negotiation in the capacity of LDC coordinator.
- Need assessment to identify category of provisions has been done .
- A wide range of stakeholders were consulted during the process
- NTTFC is working as national committee to facilitate implementation of the agreement.
- Nepal has notified the following provisions under Category A in 26 October 2015
  - Article 10.5 Preshipment Inspection
  - Article 10.6 Use of Customs Brokers
- Implementation date, 22 February, 2017
- Support form the TFAF,
- Direct and Indirect Advantages,

# **Expected Benefits of TFA**

- Reduced cost/ time of cross border trade (14.5% cost reduction) -OECD
- Reduced red tape through Improved trade/customs procedure
- Expedited shipments (imp. for perishable goods)
- Opportunity of TA for Capacity Building
- Opportunity for MSMEs to integrate into the GVCs
- Infrastructure development opportunity
- Opportunity to addressing NTMs (TBT and SPS)

# *Expected Benefits from TFA*

- Improve trade competitiveness and enhance its revenue collection
- Estimated that trade facilitation reforms will expand global trade by as much as \$ 1 trillion annually.
- Help advance development goals such as strengthening governance and formalizing the informal sector
- Can boost regional integration
- SMEs could be benefitted more from administrative reform.
- S&DT provisions to ensure assistance for implementation of Agreement

## *Expected Benefits of TFA ...*

- Enhanced foreign investment (predictability and transparency)
- Enhanced competitiveness (Lean Management)
- Improved cooperation between trade-customs/other authorities
- Reduced corruption and improved governance/ trade governance
- Aligned with modern business practice
- Contribution to job, growth and overall development.



# Underlying Challenges...

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Amending/formulating new laws/regulation

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linking software part to hardware as the focus of TFAF is on software part (policy/regulation, TF need assessment)

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Ensuring political commitment at the national and DPs level

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Bridging the infrastructural gap

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Receiving need based TA in a predictable way

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Economic dev. vs. TFA implementation

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How to ensure the benefits of TFA.

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How ensure need based and sufficient TA for CB

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# Underlying Challenges

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Addressing ballooning trade deficit (Nepal: in 2003/04, the export import ratio was about 1:3.5 and in 2016/17 - 1:13)

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Product diversification and structural transformation

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Shifting from import facilitation to export facilitation

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Predicting and calculating economic impact (+ -) of TFA

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costing of B & C TF measures

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Unexpected challenges during the implementation

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Identifying and addressing capacity building need (institutional/ individual level)

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# Underlying Challenges...

- Full implementation of the Doha Development Round and taking the negotiations on all pillars of DDA to logical conclusion.
- Not sufficient vision for meeting the huge need for infrastructures funding. South Asia alone in need of \$ 750 billion to meet the increased need of infrastructural funding to catch up with the global trend and standards
- Very limited capacity to implement category C TF measures
- Problems in NTMs including SPS and TBT
- To achieve IPOA goal of doubling the export trade of the LDCs by 2020 and achieving a robust growth of over 7 percent on an average for the LDCs.
- Integration in the multilateral global economic system a huge challenge : with a share of 12 percent of the global population and 1.24 percent of the global trade.

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**Thank**

**You !**