

# WTO 貿易便捷化協定如何有助於新絲路？

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## 中文摘要

貿易便捷化(trade facilitation)問題在國際貿易自由化導向中堪稱是相當重要的議題，其包括摒棄行政貿易障礙(這些增加了貿易運作的實質與時間累贅，成為中小企業的出口瓶頸，終而不利於國家競爭力與經改)，簡化國際貿易交易程序與強化透明度，俾利增加進出口貨品的量。自 1996 年世界貿易組織(WTO) 新加坡部長級會議以來，貿易便捷化即為該組織成員討論的課題之一。此一問題也被含括在 2001 年杜哈(Doha)發展回合議程之內，且仍被納入現階段談判的議程之中(儘管有些議題已在 2004 年被排除)。

貿易便捷化既符合已開發國家利益，也符合發展中國家的利益。此問題的核心是企業運作所伴隨而來的程序的便捷化與和諧化(harmonization)。此一課題若有進展，將會對企業界有重大助益，但這需要參與政府擴大投資。貿易相關手續的便捷化可視為大大有助於新絲路倡議的工具，因為貿易便捷化將可減少企業交易與國際貿易的成本，即有關供給鏈(supply chains)，將有助於增加貿易量與交易。本文聚焦於討論貿易便捷化，且提供歐洲聯盟(EU)對此課題的觀點。

# **How the WTO Trade Facilitation Agreement Contributes to the New Silk Road?**

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**Key words:** Trade Facilitation, WTO, EU, New Silk Road

## **Abstract**

Trade Facilitation is a topic of the discussion of the members of the World Trade Organization (WTO) since almost its establishment, since the WTO Ministerial Conference in Singapore in 1996. The issue has been included into the agenda of the current round of negotiations that has been open as Doha Development Agenda in 2001 and remains in it also after exclusion of some topics from the agenda in 2004. Trade Facilitation is in interest of developed as well as developing countries. The core of the issue is facilitation and harmonization of procedures accompanying business operation. Progress in this field will have significant benefits for business sphere, but it requires an extended investment from the participating governments. Trade facilitation in trade related procedures could be recognized as one of the important contribution to the New Silk Road, as it will ease the trade exchanges and reduce cost of business transaction namely in relation to supply chains, and it will

contribute to the increasing trade volume exchanges. The text sums up the area of Trade Facilitation and provides also the EU perspective in this field.

**JEL Classification:** F02, F13, F15, F42

## **Introduction**

Trade Facilitation is a term that many international organizations use and establish on it their activities, even if a mutually agreed definition is not yet provided by theoretical sources. The term includes not only custom processes, but also a range of domestic policies, institutional, administrative and infrastructural procedures that are related to the goods transportation across borders. The following text does not have an ambition to deal with the definition of the trade facilitation; it is aimed at advocating practical impact of trade facilitation, at its international dimension from the perspective of multilateral reduction of transaction cost for international business operations and at its relation to the New Silk Road. For these reasons the paper deals also with the discussion on trade facilitation at the World Trade Organization and with the Trade Facilitation Agreement (TFA) that is open for ratification by the WTO members. Interest on progress in this area is shown by developed as well as developing countries, even if their attitudes toward the negotiations were different. Analyses prove (OECD 2006, 2009, 2013) that facilitation of procedures related to trade will be beneficial for business subjects. Even if various international organization started to develop their activities on some aspects of trade facilitation already in seventies of the last century, their attempts were not joined by all

countries and namely not by them for which the Logistic Performance Index of the World Bank shows a high ineffectiveness of custom and trade infrastructure.

The multilateral participation of majority of countries and binding commitments are of the utmost importance, namely due to the globalization, interconnections of business activities and developed global supply chains. Participation of only limited number of countries in the harmonization of trade related procedures would lead to only limited benefits, as majority of exporters explore more markets and they can consider as the real facilitation the only (unified and applied for all) outcome that lies in the harmonized process at all target markets. The multilateral platform with legal impacts is uniquely offered by the WTO with its system of principles and rules, binding commitments, single undertaking, decisions taken by consensus and settlement of trade disputes.

Part of the countries that agreed on the WTO Trade Facilitation Agreement will participate in the New Silk Road as a consequence of extended WTO membership with 162 members. Even if standards of trade and trade rules will not be set by the New Silk Road, this initiative relies on governmental cooperation. Cooperation of governments at development of the New Silk Road will be obviously supported by their cooperation within the WTO Trade Facilitation Agreement – while the New Silk Road will facilitate large-scale infrastructure construction, energy sale and transport, and relocation of manufacturing industries, the trade facilitation tasks will lead to reduction of transaction costs related to the mentioned areas. Here we find a concrete interest for an effective implementation

of the Trade Facilitation Agreement as it will allow - together with other measures - a smooth functioning of the New Silk Road. From this perspective, it is important how European countries consider the trade facilitation topic and how they are involved in it. It is the reason for providing the EU perspective on this issue.

### **1. Meaning and importance of trade facilitation**

Procedures, formalities and administration in international trade result from necessity to monitor and control goods exportation and importation, transfer of services and related financial flows by governments and trade operators. These requirements are prerequisites for an effective collection of customs duties and for catching flows of drugs, arms, dangerous wastes, protected live species as animals and vegetable, counterfeited goods and goods that infringe intellectual property rights, national heritage and other goods that are under surveillance. At the same, the monitoring and controlling are bases for statistical reflection of international trade flows.

Regulatory bodies of individual states, however, quite often adjust or modify these formalities, procedures and documents without taking into consideration impact of these changes on costs and effectiveness of the trading system. Requirements on documentation are often non-transparent and at many points duplicated. Governments thus establish exceedingly administrative obstacles that result in burdensome procedures reflected in higher consumer prices, in an uncertainty and low predictability of trade transaction across border, in a high rate of differences between official regulations of individual states

and also - through increase of import prices - in lowering competitiveness of the domestic economy. These impacts are very often a reason why small and medium size enterprises are discouraged to get involved in international trade, as it is too costly to overcome administrative obstacles for exportation that is not regular or of a small amount - they cannot invest into it and find foreign market attractive. The same conclusion is to be drawn for exporters from developing countries – proceeded products from developing countries are from almost a half exported to markets of other developing countries at which the administrative barriers represent an obstacle that negatively affects level of transaction costs. The problem is proved for example by trading across borders indicators as for example by the World Bank's Logistics Performance Index<sup>1</sup>, in which the majority of developing countries are ranked at lower places. Other benchmarking tools for trade facilitation are the World Bank's Doing Business – Trading Across Borders report<sup>2</sup>, the World

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<sup>1</sup> The Logistics Performance Index is a benchmarking tool that ranks about 160 countries according to their performance on trade logistics. The LPI is based on a worldwide survey of operators on the ground (global freight forwarders and express carriers) and includes the efficiency of customs and border management clearance, the quality of trade and transport infrastructure, the ease of arranging competitively priced shipments, the competence and quality of logistics services—trucking, forwarding, and customs brokerage, the ability to track and trace consignments and the frequency with which shipments reach consignees within scheduled or expected delivery times. Countries are ranked according to the logistics “friendliness” (World Bank 2015).

<sup>2</sup> The Doing Business report's Trading across Borders indicators measure the number of documents, the time and the cost (excluding tariffs) associated with exporting and importing cargo in a 20-foot, full container load by sea transport. The indicators record the total time and cost necessary to complete four predefined stages in the export and import process: document preparation, customs clearance, inland transport, and port and terminal handling.

Economic Forum's Enabling Trade Index<sup>3</sup> and the OECD's Trade Facilitation Indicators<sup>4</sup>. All of them provide highly comparative results.

Elimination of superfluous administrative trade obstacles in international trade is a complex and complicated task: there exists a wide range of varieties of such measures; governments compensate with them customs tariffs or nontariff barriers to trade<sup>5</sup>. It is also quite difficult to assess at what extend they are justified and at what extend they are not necessary. Nevertheless, already in 70ties of the last century, very many activities of the international

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<sup>3</sup> The World Economic Forum's Enabling Trade Index measures the quality of institutions, policies and services facilitating the free flow of goods across borders. The index covers seven thematic pillars: domestic market access, foreign market access, the efficiency and transparency of border administration, the availability and quality of transport infrastructure, the availability and quality of transport services, the availability and use of information and communications technologies, and the operating environment (Drzeniek Hanouz, Thierry and Doherty 2014).

<sup>4</sup> The OECD's Trade Facilitation Indicators consist of 16 measures corresponding to the main policy areas under negotiation at the World Trade Organization. Data underlying 12 of these measures—on information availability, involvement of the trade community, advance rulings, appeal procedures, fees and charges, formalities (documents, automation, procedures), cooperation (internal, external), consularization, 10 and governance and impartiality—are collected from publicly available sources, such as customs websites and official publications (Moïse, Sorescu 2013).

<sup>5</sup> The level of transaction cost for trade operations from the perspective of number of documents and time that is necessary for exportation and importation shows the report Doing Business of the World Bank that compares individual countries. Increasing number of documents and extend of time of export or import operation is reflected in increasing costs of one container of exportation and importation (World Bank 2014).

community were aimed at abolishment of administrative obstacles to trade. Mechanisms, through which the simplification and reduction of formalities, procedures, documents and other requirements at their minimal level acceptable for all parties concerned, consisted in consultations and exchange and sharing of trade information. Such mechanisms were developed and established for example by the UN European Economic Commission, the UN Conference for Trade and Development, the World Customs Organization, the International Chamber of Commerce, the International Standard Organization. No one from the mentioned mechanisms provided a binding set of rules and commitments and implementation of them has been a voluntary decision.

The term trade facilitation as it is used today is wider than consultations and information exchange: the *way* is simplification, harmonization and standardization of formalities, procedures and documents, the *goal* lies in easing, speeding and increasing effectiveness of trade transactions, while automatization of data exchange that is not yet - notwithstanding information technology progress - not yet resolved, remains part of the *solution*. Except of technical premises, trade facilitation requires also adaptation of institutions and their procedures, in many cases also building of new institutional capacities and education of their qualified staff.

As stated, importance of trade facilitation lies in decrease of cost related to exportation and importation of goods. United Nations Conference on Trade and Development



(UNCTAD) states that an average customs transaction requires nowadays actions from 20 – 30 various subjects, 40 documents, 200 individual information that are at least from 30 % repeated 30 times (UNCTAD 2014). In many cases the costs of custom formalities overvalue the customs tariff revenue related to importation of the given item. According to the Doing Business project of the World Bank, an importation operation requires 2 - 17 documents and 4 – 130 days; the exportation operation requires 2 – 11 documents and 6 – 86 days (World Bank 2014). The Asia-Pacific Economic Cooperation (APEC) study estimated already in 1997 benefit from trade facilitation programs at 0.26 % of the real GDP of APEC countries and “savings” in prices of importation at 1-2 % (APEC 1997), while UNCTAD study shows that 1% reduction of transport cost can increase Asian GDP by 3.3 billion US\$ (UNCTAD 2001). According to the World Bank the cost for trade operations thanks to the trade facilitation will decrease in average by 0.2 %, while more important decrease is estimated in less developed countries, for example: in bilateral trade of countries of Sub Saharan Africa with Middle East and North Africa by 3.4 %, with Europe and middle Asia by 3 %, with South Asia by 2.2 % (World Bank 2009). By the UN, the potential saving from trade facilitation is estimated to be about 490 billion US\$ (UN 2003).

Organization of Economic Cooperation and Development (OECD) states the costs for implementation of measures toward trade facilitation are no extremely high and are much more lower than contribution of their implementation: the burdens are estimated between 3,5

and 19,7 million Euros for a period of 3 to 5 years, and operative costs on a year basis will not exceed 2,5 million Euros. The most burdensome is implementation of information technologies and the single window mechanism<sup>6</sup> for all related procedures; the most positive impact has education and increase of qualification of officers of border agencies. Some measures are costly as for the implementation, but modest as for the operational costs, others need political will than investment (OECD 2013). Benefit of trade facilitation measures is estimated at 15% of price decrease at the good imported to developing countries, and at 10% of price decrease at importation to developed economies (OECD 2009). From the perspective of modern trade methods<sup>7</sup> and global supply chains, acceleration of customs procedures and predictability of their length are also very important aspects.

## **2. Trade facilitation at the WTO**

Multilateral trading system has embedded rules that enhance transparency and establish minimum of procedural standards, as for example articles of the General Agreement on Tariffs and Trade (GATT) that ensure freedom of transit and relates to fees and formalities at importation and exportation and to

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<sup>6</sup> Single window mechanism allows exporters and importers to submit all regulatory documents (customs declaration, request for export or import permit, certificate of origin, invoices, etc.) that are relevant to good exportation, importation or transit at a single point and to a single entity and thus fulfil all regulatory requirements.

<sup>7</sup> Methods „just-in-time“ and „just in second“.

publication and administration of trade regulatory measures. Some areas that represent administrative obstacles to trade are not however ruled as for example customs documentations, customs procedures and their transparency. Trade development in last decades proved necessity to incorporate more uniform and users friendly and more effective rules.

Trade facilitation issue has been included into the WTO discussion in 1996 by the decision of the Ministerial Conference in Singapore (WTO 1996). The impetus came from the European Union (that time European Communities) that stipulated an analysis of other trade related issues and their implementation into the multilateral trading system, including the trade facilitation. Together with this area, the topics of trade and investment, trade and competition and trade and transparency of governmental procurement have been included into further discussion as well. These four areas are mentioned in WTO documents and in literature as Singapore issues<sup>8</sup>. It has been stated that the term trade facilitation refers to simplification and harmonization of international trade procedures that include activities, practices and formalities related to collection, transmission and processing of data that are requested for goods flow in international trade (Moïsé, Orliac and Minor 2011).

In the Declaration of ministers from Doha 2001 it has been further specified that discussion within the WTO would aim

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<sup>8</sup> This paper concentrates on trade facilitation only and neither does analyze Singapore issues either the reasons of exclusion of three of them from the current round of WTO negotiations in 2004.

at concretization of Articles V, VII and X of the GATT 1994<sup>9</sup> and that the needs and priorities of members would be identified, namely developing country and least developed country members, and an adequate technical aid and support for capacity building would be ensured in this area (WTO 2001). Substantive negotiations should have started after the Ministerial Conference in Cancún 2003.

Even if the trade facilitation issue has been embedded into the Doha Development Agenda, that has been approved by all WTO members, the developing countries refused in the beginning the discussion under the World trade Organization, with several main arguments. They pointed out the work on the same topic within the World Customs Organization (WCO) – in order to exclude any overlapping duplicity, members of the WTO should have been proposed to participate at the WCO activities. According to the developing countries point of view, the WTO should have accepted only recommendations or nonbinding rules that members would have implemented – if they would have decided so - in the best manner into their national regulatory legislation. The reason for these two proposals was related to a threat of using the WTO trade dispute settlement mechanism in case of noncompliance with the agreed provisions - reference to an activity of other international organization or nonbinding provisions would have excluded the mentioned mechanism. At the same, developing countries underlined that they need an

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<sup>9</sup> Article V refers to freedom of transit, Article VIII to fees and formalities at exportation and importation, Article X to publication and administration of regulatory trade measures.

important financial and technical assistance for modernization and reforms of customs procedures that covers investment into information technology, infrastructure of customs operations, tools and devices for tracing goods flows, etc. The assistance should not have been related to binding WTO rules in this area.

Developed countries including the EU argued that activities of international organization that have been carried as for the trade facilitation until then should be completed within the legal framework of the WTO. This approach has been supported by the fact that other international organization have quite low political influence and do not dispose by an enforcement mechanism, thus they are unable to pursue implementation of new rules among their members, while the WTO is accepted not only by governments, but also by business and society, what would motivate developing countries for preparation of economic reforms at which the developed countries would participate.

The agenda of the negotiation round has been squeezed after the failure of the Ministerial Conference in Cancun in 2003; Singapore issues except of trade facilitation were excluded from further trade liberalization. Trade facilitation issue was accepted by developing countries only after an extended discussion and as a response to a continuous pressure from developed countries, namely from the EU. The EU had high interests at abolishment of administrative trade barriers for three reasons: first, because of close relations of some of EU Member States with their former colonies, second, because of a high share of raw

materials and semi-processed products in the EU importation coming from developing countries, third, because of the potential of markets of emerging economies for the EU exportation.

In 2004, the WTO members decided on modalities of trade facilitation negotiations<sup>10</sup>. Modalities underline importance of technical assistance and capacity building support for developing and least developed countries that would allow them to fully participate in negotiations. It represented a commitment that was an indispensable condition for developing countries' participation in trade facilitation negotiations and for full implementation of future outcomes into their legislation. Without this promise the developing countries would not have participated at trade facilitation what would have negated its value as namely in developing countries administrative burdens related to exportation and importation are the highest ones. From the substantial perspective, the already mentioned three GATT 1994 Articles should have been clarified and improved: Article V (Freedom of Transit Article VIII (Fees and Formalities connected with Importation and Exportation), and Article X (Publication and Administration of Trade Regulations). From the theoretical perspective, the trade facilitation modalities were not based on the reciprocity principle in trade liberalization, even not in the form of less than full reciprocity<sup>11</sup>, but on the trade-off between trade liberalization

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<sup>10</sup> The Doha Development Agenda has been squeezed and the new mandate of 2004 is known as the "July package".

<sup>11</sup> Less than full reciprocity approach is applied in the WTO as a part of special and differential treatment for developing countries and it means that the liberalization commitment of developed countries is stronger and at higher level than the one of developing countries.

and effective aid<sup>12</sup> from developed countries that have interest in simplification of trade procedures. Trade facilitation represents thus a new specific form of multilateral approach to trade liberalization, where participants committed themselves to different types of obligations, what could serve as a precedent for future development of the multilateral trading system.

Trade facilitation negotiations were divided into two parts. The first one concerned technical aspects of procedures with a goal to ensure efficiency of the future agreement, the second one was devoted to the special and differential treatment for developing countries and to technical assistance and capacity building for implementation of the future agreement. At the same, the trade facilitation topic has been excluded from the single undertaking<sup>13</sup>. At the Ministerial Conference at Bali in 2013 the Members agreed on Agreement on Trade Facilitation and in 2014 its codified text has been approved and submitted for ratification<sup>14</sup>. The Trade Facilitation

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<sup>12</sup> Technical assistance could for example have a form of a study that would explain reasons why is the trade procedure exceedingly long. World Customs Organization provided such a study in the north corridor of East African Community (EAC), from Mombasa in Kenya to the customs office in Kampala in Uganda. The study concluded that the reasons for the slow transportation of goods are multiplication of customs declaration, infrastructure and office hours of governmental institutions. (WCO 2014).

<sup>13</sup> Single undertaking principle means that all negotiation areas are finished by one final agreement.

<sup>14</sup> The Trade Facilitation Agreement is included into the Annex 1A of the Agreement on Establishment of the WTO through the Protocol of Amendment. Up to January 2016, 67 states ratified the TFA: Hong Kong China, Singapore, the United States, Mauritius, Malaysia, Jamaica, Japan, Australia, Botswana, Trinidad and Tobago, the Republic of Korea, Nicaragua, Niger, Belize, Switzerland, Chinese Taipei, China, Liechtenstein, Lao PDR, New Zealand, Togo, Thailand, the European Union (on behalf of its 28 member states), the former Yugoslav Republic of Macedonia, Pakistan, Panama, Guyana, Côte d'Ivoire, Grenada, Saint Lucia, Kenya, Myanmar, Norway, Viet Nam, Brunei, Ukraine, Zambia, Lesotho, Georgia and Seychelles.

Agreement sets forth a series of measures for expeditiously moving goods across borders and the measures are inspired by the best practices collected from around the world. Individual parts of the Agreement are related to: norms for publication of legislation, regulation and procedures including publications on internet, pre-arrival processing, disciplines of fees and penalties, electronic payment, guarantees allowing expediting clearance of goods, measures for authorized operators, expedited shipments, release of perishable goods, lowering number of documents and formalities related to common customs standards, use of single window for administration, common boarder procedures, temporary admission of goods, simple outward and inward processing of goods, customs cooperation and coordination, electronic information exchange and establishment of national enquiry point. The Agreement deals also with special and differential treatment for developing and least developed countries - commitments of developing and least-developed countries are linked to their capacity to implement the TFA; it means that it allows them to determine when they will implement provisions of the Agreement and to identify commitments for which they need technical aid. The TFA however consists of commitments that enter into force immediately, for example a commitment to publish some kind of information in a non-discriminatory and easily accessible manner in order to enable governments, traders, and other interested parties to become acquainted with them.

### **3. Trade Facilitation in Other International Organizations**



Trade facilitation and simplification is an extended topic that is aimed by various governmental and nongovernmental organizations in last two decades, for example by the World Customs Organization, United Nations Economic Commission for Europe and within its UN Centre for Trade Facilitation and Electronic Business, UN Conference on Trade and Development, Organization for Economic Cooperation and Development, World Bank, Food and Agriculture Organization, UN Commission on International Trade Law, International Chamber of Commerce, nongovernmental organization with activities in the field of transportation, standardization, telecommunications, information technologies, including regional integration blocks. Activities of some of these organizations are illustrated below.

Each of the mentioned organization deals with different aspects of trade facilitation. The most important activities are undertaken by the WCO. In its framework, the Kyoto International Convention on the Simplification and Harmonization of Customs Procedures has been signed in 1974. The Convention establishes principles of simplified and harmonized customs procedures and provides also a complex set of these procedures for legal international trade facilitation at customs control including customs tariff revenues. It has been amended in 2006 and as a result, customs procedures are based on transparency and predictability of customs activities and together with standardization and simplification of customs declarations and supportive documents, also simplification of procedures for eligible persons, the highest use of information technologies, minimum of customs controls for

regulatory conformity, risk management, pre-arrival information and subsequent audit control, coordination with other border bodies in the field of interventions and trade partnership has been included into them (WCO 2000). Currently, the Convention has 98 members, including EU and its Member States. Members have a legal obligation to implement standards and principles of the Convention, even if the directive that interprets the individual provisions is not binding. In the WTO negotiations on Trade Facilitation the Convention has been a “reference tool” and its members were active in discussion and negotiations.

UN Economic Commission for Europe developed its trade facilitation activities in trade and transportation already in seventies of the last century. The recommendation in this field from 1974 has been updated in 1999 and included into the agenda of the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT). The goal lies in establishment of national centers based on public-private partnership, with shared balanced participation of the government and private subjects, which identify problems of increasing costs and decreasing effectivity of foreign trade of the country, develop measures to eliminate these problems, reduce costs and improve efficiency and assist at their implementation. The centers are also points that collect and disseminate information on best trade facilitation practices (UN/CEFACT 2001). During last fifteen years, about 60 national trade facilitation centers have been established. Within the UN/CEFACT activities, simplification, harmonization and standardization were

defined. The definition characterizes *simplification* as combination of various documents in one<sup>15</sup>, *harmonization* as alignment of national formalities, procedures, operations and documentation with international conventions, standards and practices<sup>16</sup>, *standardization* as development of internationally agreed formal procedures, documents and information<sup>17</sup>. In order to achieve certain level of harmonization, simplification and standardization, UN/CEFACT provides consultations and recommendations to trade facilitation and revise them continuously, attracts private sector into these activities and continues to cooperate on establishment of standards, technical specifications, namely for data and information transmission.

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<sup>15</sup> A typical example of simplification is the combination of several administrative documents into one, based on a pre-established format such as the United Nations Layout Key, the International Chamber of Shipping Bill of Lading and the European Union Single Administrative Document (UN/CEFACT 2001).

<sup>16</sup> Typical examples of harmonization are the adherence by a country to the International Maritime Organization's Convention on the Facilitation of International Maritime Traffic to prevent unnecessary delays to ships and to persons and property on board, and the use of INCOTERMS when referring to internationally accepted trade terms in coded form (UN/CEFACT 2001).

<sup>17</sup> Typical examples of standardization in trade facilitation are the United Nations Layout Key for Trade Documents, the United Nations standard for Electronic Data Interchange for Administration, Commerce and Transport (EDIFACT), and international codes for countries, currencies and locations. Technical standards such as the ISO standards for freight containers, is also a very important element in the facilitation of international trade and transportation (UN/CEFACT 2001).

United Nation Conference on Trade and Development and Organization for Economic Cooperation and Development contribute to trade facilitation issue through their analytical support<sup>18</sup> and share activities of other organizations, including the WTO. OECD as observer at negotiations published recommendations to measures at which it identified the most important impact on trade related cost reduction: harmonization of documents, unification of customs procedures, custom regulation predictability (what customs tariff on a specific product or clear rules in procedures and availability and accessibility of trade related information. OECD also developed indicators according to which it is possible to estimate impact and effect of individual measures: twelve indicators consisting of 98 variables correspond to the main categories of trade facilitation negotiations in the WTO. Application of indicators will help WTO members to recognize their priorities in trade facilitation (Moisé, Orliac, Minor 2011).

#### **4. European Union and Trade Facilitation**

European Union supports progress in trade facilitation area since the beginning of the discussions and negotiations, and it finances also technical aid and

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<sup>18</sup> For example: Trade Facilitation Handbook (UNCTAD 2006), Reflections on a Future Trade Facilitation Agreement: Implementation of WTO Obligations (UNCTAD 2011), The new frontier of competitiveness in developing countries – Implementing trade facilitation (UNCTAD 2014), The Costs and Challenges of Implementing Trade Facilitation Measures (OECD 2013) or Needs, Priorities and Costs Associated with Technical Assistance and Capacity Building for Implementation of a WTO Trade Facilitation Agreement A Comparative Study Based on Six Developing Countries (OECD 2006).

capacity building in developing countries. Ratification of the WTO Trade Facilitation Agreement and implementation of respective measures will not demand important changes in the EU regulatory system as administrative trade obstacles are within the EU and its member states considered to be at a low level and correspond to the praxis of other developed countries. The Logistic Performance Index 2015 ranks majority of the EU countries at first 50 places, with exception of Romania, Bulgaria, Croatia and Lithuania (World Bank 2015). Nevertheless, the EU supported the trade facilitation negotiations very much since the Uruguay round of negotiations on multilateral trade liberalization and during the WTO Ministerial Conference in Singapore in 1996; it initiated this issue as a part of the Ministerial Declaration with clear goals and future working program. The EU interest is aimed at third country regulations that in the case of harmonization and abolishment of unnecessary obstacles would promote exportation and investment expansion of EU subjects.

EU considers trade facilitation as an utmost important part of the customs policy, also in relation with security. The EU Custom Codex was amended already in 2005 in order to reflect the security issues. It consists of measures e.g. requirement for pre-arrival information on importation or exportation across the EU boarder or single criteria for risk assessment. A concept of Authorized Economic Operator has been established. The Operator is acknowledged by all EU Member States and ensures in all of them compliance of customs procedures with respective

regulations, collects information and apply equivalent security standards.

From the EU perspective, trade facilitation measures are main factors of economic development of developing countries as well as of EU economies, as their involvement into international trade represents more than twenty percent of world trade flows. This aspect is further strengthened in bilateral preferential trade agreements of the EU with third countries, namely in relation to simplification of requirements and formalities related to customs clearance, cooperation toward establishing one common customs body that would arrange the whole customs process, more effective working methods, transparency and effectiveness of customs procedures, reduction, simplification and standardization of data required in customs documentation, application of modern customs technics including risk assessment, consequent controls and audit, simplification and facilitation of importation through pre-arrival custom procedures before the factual arrival of goods. Trade facilitation measures in the EU bilateral trade arrangements support multilateral activities of international organizations and also a will of partners to deal with the topic and to be committed to new rules.

EU is also very active in other international organizations than WTO, namely in harmonization and analyzes. In order to pursue its interests in trade facilitation, the EU became one of the most important donors who support the implementation of the TFA by 400 million of euros in a period of five years in order to enable developing countries

to benefit from the TFA advantages and cost reductions. It is about one third of the whole sum needed for developing countries for the TFA implementation and it is a signal of the EU support for economic development, job creation and poverty eradication in developing countries.

Taken into consideration the New Silk Road countries and trade facilitation benchmarks, the EU countries concerned provide very good results. In the mentioned Logistic Performance Index, according to the trade facilitation aspects, it means efficiency of the clearance process by border control agencies including customs and the quality of trade and transport infrastructure, they are ranked up to 50<sup>th</sup> position. The best positions belong to the west European countries, a little bit lower positions occupy Central and Eastern European EU member States<sup>19</sup>.

## **Conclusion**

Trade facilitation issue belongs to a relatively new, but very important direction of liberalization of international trade. It consists in abolishment of administrative trade barriers that increase for substantial and time burdens cost of trade operations, increase prices of exported and imported goods, create obstacles for exportation of small and medium sized enterprises and as a consequence, they undermine competitiveness of the country and its

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<sup>19</sup> In some individual indicators, the Central and East European EU Members are even better: for example, in the ranking of ease of trading across borders, the Czech Republic has the second lowest number of exportation and importation documents.

economic reforms. Approach to the trade facilitation at the WTO could become a precedent for changes in existing approaches to the multilateral trade liberalization. Trade facilitation aspects are however subjects to practical activities of many other international organizations than the WTO; their goal is to simplify procedures of international trade transactions and to strengthen their transparency. The most important achievement in this area is the multilateral WTO Trade Facilitation Agreement. The TFA establishes commitments to developed and developing countries in a different manner. Developed countries are committed to technical aid and capacity building support in developing countries, while the latter will make their custom and administrative procedures more simple and transparent. The TFA, when effectively implemented, established also a very good ground for success of the New Silk Road initiative, as its development and TFA implementation meet in synergic effects. The utmost importance that the EU gives to the simple and transparent administrative trade related procedures implemented on the basis of TFA supports this conclusion.



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