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**Working Paper**

## Cost and Benefits of Implementing Trade Facilitation Measures under Negotiations at the WTO: an Exploratory Survey

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**Asia-Pacific Research and Training Network on Trade  
Working Paper Series, No. 3, January 2006**

# **Cost and Benefits of Implementing Trade Facilitation Measures under Negotiations at the WTO: an Exploratory Survey**

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## ***Executive Summary***

After a review of implementation cost information found in WTO members proposals to the NGTF and relevant research and policy studies, results of an expert survey on the implementation costs associated with 12 trade facilitation measures (TFMs) relevant to the negotiations are presented. Long-term savings greatly exceed the perceived implementation costs for all measures considered. However, TFMs under consideration by the NGTF for possible inclusion in revised GATT articles V, VIII and X should be selected carefully as overall cost implications for Governments differ significantly across measures, as does time needed for implementation in LDCs.

The type and extent of technical assistance provided, as well as the amount of flexibility to be given, may depend on the types of costs involved in implementing the various TF measures – 5 types of costs were considered in this study. The main cost component associated with implementing some of the TF measures may often not be related to regulatory, training, or equipment costs, but to political costs. Indeed, implementation of TFMs involves various degree of change in how things are done and change is often perceived negatively, at least in the short-term. Therefore, Governments may need time flexibility for implementing TFMs with perceived high political costs, while they may need technical assistance in the form of international experts for TFMs involving mainly HR training costs, or in the form of grants for those requiring investments in infrastructure and equipment.

Experts did rank *adoption and use of international standards, establishment of enquiry points, trade facilitation committees and online publication of trade regulations and procedures as priority measures*, although there was some disagreement on the English language requirements for publication and the need for single vs. multiple enquiry points. Provision of advanced and binding rulings on tariff classification, valuation, and origin, also a relatively “low cost” measure, is also given priority. The only “costly” trade facilitation measure included in the top 5 priority TF measure by the expert is the establishment of a risk management system. This is not surprising given the significant savings and private sector benefits associated with this specific measure (in terms of cutting average customs clearance time) and the fact that it may be implemented, in its most basic form, with limited investment in IT systems.

All experts point to the need for logical sequencing of the measures and the fact that trade facilitation measures should be preferably implemented as part of an overall national trade facilitation programme, as opposed to a series of stand alone measures implemented in isolation. However, it is noteworthy that some experts disagree on the details of implementation (e.g., enquiry points vs. single national focal points) and note that some measures may not be beneficial depending on how and where they are implemented. This finding suggests that the WTO may need to establish a long-term institutional mechanism to deal with evolving trade facilitation measures and issues. Countries may also agree on a subset of well-defined TFMs to be implemented by all, as well as on a complementary list of possibly more controversial TFMs from which countries would select, based on their own needs and specificity, a pre-determined number of measures for implementation.

## ***Introduction***

The WTO's 147 member governments agreed on 1 August 2004 to commence negotiations on trade facilitation. The issue of whether trade facilitation, along with four other so-called "Singapore issues", should be included in the Doha round of negotiation had been one of the issues that resulted in the failure of the WTO Ministerial Meeting in Cancun in 2003.

The main reason for the reluctance of many developing countries (DCs) to negotiate on trade facilitation as part of the Doha Development Agenda seemed to be the fear that implementation of such agreement would entail substantial investment in infrastructure and human resources for them, while at the same time requiring nothing from the developed countries who have already implemented many of the trade facilitation measures (TFMs) likely to be included in a multilateral trade facilitation agreement. Some also feared that a trade facilitation agreement might not reflect the needs and priorities of their countries in this area, as most of the standards and international best practices were established by a few developed countries based on their own needs and priorities. Finally, a binding trade facilitation agreement could have serious consequence on some countries because many of the lesser developed countries still derive a significant share of their Government revenue from Customs activities.

The August 1 Decision of the WTO General Council, often referred to as the "July Package", outlined the modalities of the trade facilitation negotiations in its Annex D<sup>1</sup>. Members agreed that the negotiating agenda would focus on clarifying and improving relevant aspects of Articles V (*freedom of transit*), VIII (*fees and formalities*) and X (*publication and administration of trade regulations*) of the GATT 1994; enhancing technical assistance and support for capacity building; and effective cooperation between customs or any other appropriate authorities on trade facilitation and customs compliance issues.

In addition, Annex D specified that the negotiations "*shall address the concerns of developing and least-developing countries related to cost implications of proposed measures*". This issue was also specifically included in the negotiating agenda approved by members during the first meeting of the Negotiating Group on Trade Facilitation (NGTF) held in November 2004, along with the need to identify trade facilitation needs and priorities and special and differential treatment for DCs and least developed countries (LDCs)<sup>2</sup>.

Although the negotiations on trade facilitation have progressed well and WTO members were able to agree on a Ministerial Declaration at the sixth WTO Ministerial Meeting in

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<sup>1</sup> [http://www.wto.org/english/tratop\\_e/dda\\_e/ddadraft\\_31jul04\\_e.pdf](http://www.wto.org/english/tratop_e/dda_e/ddadraft_31jul04_e.pdf)

<sup>2</sup> [http://www.wto.org/english/news\\_e/news04\\_e/tradefac\\_15nov\\_e.htm](http://www.wto.org/english/news_e/news04_e/tradefac_15nov_e.htm)

Hong-Kong in December 2005, information available on the potential benefits and costs of specific TFMs proposed to the NGTF is still lacking as research on trade facilitation remains at an early stage of development, especially in the less developed countries.

The objective of this paper is to address some of the concerns related to cost implications of trade facilitation (TF) measures by providing qualitative information on implementation costs (and benefits) associated with selected TF measures, which may provide some useful guidance to negotiators and policy makers as they decide which measures may or may not be included in revisions of the three GATT articles under negotiation, as well as in future trade negotiations. Following an overview of the related literature and a review of the cost/benefit information included in some of the WTO members proposals, the results of an exploratory expert survey on the cost of implementing selected TFMs are discussed.

## ***A review of WTO proposals and the literature***

### ***a- Implementation costs in WTO Members' proposals to the NGTF***

While the WTO Secretariat's compilation of members' proposals on the Negotiations on Trade Facilitation (TN/TF/W/43/Rev.4) specifically include sections on *Special and Differential Treatment* and *Technical Assistance and Support for Capacity Building* for each category of TF measures, it does not summarize the content of the proposals in terms of expected implementation concerns or costs (and benefits) of the various proposals and related measures. A review of the first 50 proposals submitted to the NGTF was therefore conducted to analyze members' opinions on the implementation costs (and benefits) of TF measures presented in their proposals. The following observations may be drawn from this review (see Annex 1 for details):

**1.** It is generally agreed in the various proposals that the introduction and implementation of most TF measures would entail some start-up costs for the government agencies in the short term. However, once the measures are established, it is unlikely that significant financial burdens would be involved to maintain these measures. In fact, most proposals recognize that the introduction and implementation of TF would eventually reduce government expenditures through enhanced transaction efficiency and transparency, elimination of duplicative or bureaucratic functions, more economical allocation and more reasonable and efficient use of administrative resources.

#### **Box 1- Public resources saved through the development of border agency cooperation (TN/TF/W/48 by Norway)**

##### **Measures taken:**

- A customs border cooperation agreement was signed between Norway and Sweden in 1960, involving 18 Norwegian and 21 Swedish customs officers along the border. A similar agreement between Norway and Finland entered into force in 1969.

- An agreement on customs cooperation between the EC and Norway was signed in 1997.

**Benefits:**

A calculation was made in 1995 of what the consequences would have been if the agreements had not been approved by the EU while at the same time maintaining the same level of service:

- 10 new customs offices would have had to be opened on the Norwegian side of the border.
- 100 new customs officers would have had to be employed.
- NOK 100 million (16 million USD, approximately) in additional costs for the customs authorities for new buildings, salaries etc (50% of these cost would be a one time investment and 50% would be an annual cost).
- NOK 250 million (39 million USD, approximately) additional costs for the economic operators, mainly due to longer waiting time and double stops at the border (annual costs).

2. The proposals generally suggest that the initial costs for implementing most of the TF measures would be rather modest. Since implementation of TF measures will primarily benefit traders – benefits to SMEs are particularly mentioned – some of the initial costs may be transferred to them through charges for the relevant services they receive. This has been done in some countries for advanced ruling and release of express shipments (see TF/TN/W/12 and TF/TN/W/15 submitted by the USA). Some TF measures, such as collateral security for release of goods (see TF/TN/W/19 by Australia and Canada), are in themselves financial services offered by the private sector.

3. Proposals largely recognize that costs of implementation vary substantially across TF measures. Some TF measures may require considerable start-up costs and time. For example, China, in its proposal TF/TN/W/26, suggests that that Internet publication of trade regulations and establishment of enquiry points “require high resource input, especially for some developing countries”, with implementation costs closely related to the IT modernization level of individual members. Some other TF measures are thought to require only minimal incremental costs, e.g. Hong Kong, China believes that the simplification/minimization and the periodical review of import/export documentation requirements “does not entail substantial costs” or “give rise to major problems of capacity” (see TF/TN/W/31) - New Zealand, Norway and Switzerland share a similar opinion in their proposal TF/TN/W/36. Finally, a few TF measures are believed to generate pure benefits without entailing any significant implementation costs, e.g. the USA and Uganda proposal to prohibit consular transactions (see TF/TN/W/22), which they consider would ‘result in costs saving to traders and administrators alike’.

4. The likelihood that the implementation costs of certain measures would vary according to the individual situation of each member country was also clearly acknowledged. The differences in the existing infrastructure and facility, the IT modernization level, the professional qualifications of customs staff, the degree of development of regulatory system, legal framework and legislative structure, etc. among the member countries may play an influential role in determining the costs. For instance, in its proposal TF/TN/W/9, Canada suggests that the costs for setting up advanced rulings would be minimal for

countries with an established related program, whereas new costs for rulings publication, staff recruitment and supplementary training would be necessary for the others.

5. Four types of costs (or cost components) were mentioned in the proposals:

- *Infrastructure/facility costs*: For implementation of some measures, investment in new facilities, equipments and infrastructure was deemed necessary. For example, establishment of Internet publication calls for the development of an IT infrastructure (see TF/TN/W/13 by the USA, TF/TN/W/26 by China, TF/TN/W/40 by Argentina). Setting up express clearance systems and enhancing cooperation among border agencies may also involve costs for newly equipped processing lines and information and communication products, respectively.
- *Human resource costs*: Effective implementation of many TF measures implies the enhancement or amendment of administrative capacity, which typically require recruitment of new staff and/or supplementary training for the existing personnel. HR costs are mentioned in many proposals in relation to a wide variety of TF measures, including advanced rulings, risk management and operation of a 'single-window'.
- *Regulatory/legislative costs*: Some TF measures may require the modification of the existing regulatory practices or adoption of new legislations. These costs greatly hinge on the situation, including legislative structure and procedures, in each individual member countries.
- *Reduced revenue from fees and charges*: EC and Australia (see TF/TN/W/23) acknowledge that TF measures that involve the reduction/minimization of the numbers and diversity of fees/charges may reduce the government revenue accordingly.

6. There are no noticeable discrepancies in the opinions on TF implementation costs and benefits between developed countries and developing countries, including the LDCs.

**Box 2 - Costs/benefits assessment of establishment of express clearance system  
(TN/TF/W/44 by SCTTPKM)**

**Measures Taken:**

- In 1995, 'Regulations Governing Import and Export Customs Clearance Procedures for Express Consignments' were enacted and Customs began providing 24-hour/7-day services.
- In 1998, the Customs set up an ad hoc task force to improve the express clearance system, taking into account results of a review conducted by APEC in 1997. An Express Division was later established.
- In 2000, 'Directions Governing the Simplified Clearance Procedures for Express Consignments' came into force.

**Benefits:**

- The average clearance time was dramatically reduced, from 48 hours in 1996 to a mere 2 hours today.
- The volume of express entries increased sharply in the period from 2001 to 2003. While regular import/export entries grew by 11.4%, express entries increased by an impressive 58.7%.



- The ratio of express entries to total entries also rose steadily, from 71% in 2001 to more than three quarters in 2003.

**Costs:**

- 20 new processing lines were established, each equipped with an X-ray scanning machine. Some of the initial infrastructure costs were shared with express shipment providers.
- A total of 117 officers at the Express Division are involved, working day and night shifts so as to provide a 24/7 service. These officers were relocated from other divisions, with no need for major new personnel recruitment overall. Some of the operational costs are also borne express shipment providers.

Overall, most proposals, with the exception of W/44 and W/48 (see box 1 and 2), do not provide detailed assessment of the costs/benefits associated with the TF measures promoted. While deriving quantitative estimates of the implementation costs of specific TFMs may be difficult because of the country-specific nature of the exercise and the complexity in breaking down costs among TFMs, it may be important for negotiators to have a better, even if qualitative, understanding of the costs associated with each of the TF measures they will agree (or not) to include in the revisions of Articles V, VIII and X.

***b- An overview of policy studies on the costs and benefits of trade facilitation***

Quantification of the economic benefits associated with trade facilitation represents a major challenge due to the lack of reliable and precise data and the complexity of the underlying issues. A recent review of the literature in this area was conducted by OECD (2005). Quantitative studies generally show that reductions in trade transaction costs (resulting from implementation of TFMs at the border) may result in global welfare gains of the same or larger magnitude than those expected from tariff liberalization (e.g., APEC, 2002). These studies also generally show that no, or very few, countries would lose from global trade facilitation and that developing countries have the most to gain from implementation of TFMs, although important variations can be expected across countries, sectors, and types of traders (Francois et al., 2005; OECD, 2003).

Different approaches and methodologies have been used to measure/study the impact of trade facilitation, including the following:

- Estimation of the effect of improvement of trade facilitation modelled as “technical progress in trading/transport activities” (improvement in the productivity of the transport sector) on income/welfare in classic Computable General Equilibrium (CGE) models. Recent models also incorporate a logistic tax modelled as a reduction in import and export charges/duties, which results in adjustment in the government sector (because of loss of duty). By examining how ad hoc technical progress in trade/transport changes or reduction in import and export charges/duties, some implications can be inferred on the overall impact of trade facilitation (as in OECD, 2003).

- Estimation of the effect of changes in selected trade facilitation indicators (e.g., Port Efficiency Index) on trade flows using gravity models. For example, Wilson et al. (2004) develop a gravity model that accounts for bilateral trade flows in manufactured goods in 2000-01 between 75 countries, using traditional factors (such as GDP, distance, language, and trade areas) and augmented by the TFMs/indicators for each country. This method allows examination of the impact of categories/groups of TFMs on trade (e.g., TFMs related to port efficiency).

Neither of the two approaches mentioned above allows evaluation of the economic and trading impact of specific TFMs or instruments, such as those that might result from a possible future WTO agreement on trade facilitation (although Wilson et al.'s approach may allow prioritization of trade facilitation capacity building projects across four broad areas). In addition, both methods require large amounts of data not easily available, collected (or made consistent) across developing countries.

In addition to these global or regional macro-level studies, a number of micro-level and country case studies have also been conducted (e.g., Abid Khan, 2004; Nomura Research Institute, 2004; Keen, 2003; OECD, 2005b) which highlight the significance of inefficient trade regulations, documents and procedures in impeding firms in some developing countries to compete in the global markets, and point to the potentially large benefits associated with implementation of TFMs to cut customs clearance time and streamline trade regulations.

While the definition/scope of trade facilitation (and related measures) varies widely from study to study and the estimated benefits are very often not linked to a specific TF measure, there is a broad consensus that implementation of TFMs result in significant welfare and competitiveness gains in both developing and developed countries. The significance of the long-term benefits associated with trade facilitation is also not a controversial issue among trade policy makers and negotiators, as demonstrated by the spirit in which the WTO trade facilitation negotiations are taking place, as well as the constructive discussions that took place during the OECD Global Forum on Trade Facilitation, held in Colombo, Sri Lanka in October, 2005.

However, the initial and operational costs associated with TFMs remains of concern to developing countries Governments who need to decide to what extent they should allocate their very scarce resources to their implementation. The existing literature provides little information on the costs associated with implementing the various measures discussed. In a first attempt to address this issue of particular concerns to Developing countries and LDCs member of the WTO, OECD conducted a series of country surveys in 2004 and 2005.

Data on implementation approaches and costs of eleven TFMs selected among those proposed by WTO members for negotiations was collected in fourteen developing countries (OECD, 2004; OECD, 2005c). While the OECD cost study does not include any conclusive quantitative cost estimates for the measures examined, it provides very useful information on the relative complexity of the various measures examined and

some of the major issues associated with their implementation. The study focused specifically on implementation costs for Government and considered the following 4 cost components (1) Regulatory costs, (2) Institutional costs, (3) Training costs and (4) Equipment/Infrastructure costs specifically and directly related to a given TF measure. However, the study notes that overall implementation costs of specific measures will be affected by the current level of infrastructure development in each country, which may need to be improved before a particular measure may be effectively implemented. While the study did not attempt to compare costs of various measures examined, *risk assessment*, *audit-based controls*, and *special procedures for authorized persons* are identified as the most complex and costly measures, followed by *advance lodgment and processing of data*. In contrast, *advance rulings* and *security for duties and taxes* reportedly have minimal implementation costs. The study concludes that the costs of even the most technically demanding measures were by no means large, observed inter-linkages between various TFMs require the need for a coherent implementation plan of the TFMs to be included in the negotiations.

As part of the implementation of a research programme approved by policy makers in the Asia-Pacific region, members of the Asia-Pacific Research and Training Network on Trade (ARTNeT) also conducted some research on implementation costs in the context of the WTO negotiations, loosely following the OECD survey methodology. Five country case studies including Nepal, China, India, Bangladesh and Indonesia are nearing completion. However, a review of existing drafts suggests that, while the studies are helpful in identifying overall needs and priorities of TFMs, the cost-related findings are not detailed enough to easily lend themselves to cross-country comparison and generalization (for details, see [www.artnetontrade.org](http://www.artnetontrade.org)).

To the authors' knowledge, no other published work has focused directly on the implementation costs issue so far, although some international organizations that have been involved in the implementation/financing of a number of trade facilitation and customs reform programmes in developing countries are reportedly working on the issue using the detailed past and current programme and project costs they have on record. Arguably, however, what policy makers and negotiators really need is an overall "independent" view of the relative cost of the various TFMs on the negotiating table, as well as a sense of how these measures should be sequenced.

In that context, an explicitly qualitative study of the various costs and benefits associated with specific TF measures based on multiple expert opinions may be a useful complement to the various case studies and the more quantitative work that has been done so far. In addition, a qualitative approach may allow for the political dimension to be included in the cost estimates, as many of the trade facilitation and customs practitioners are well aware that this dimension is crucial to the success, failure and implementation time of most TFMs.

# **An Expert Survey on Implementation Costs of Selected Trade Facilitation Measures**

## ***a- Methodology***

Given the lack of reliable quantitative information on the cost of implementation of specific TFMs, a qualitative expert survey was undertaken to gain some insight on the issue. Expert surveys have been used in many fields, including political science (e.g., Leonard, 1999, Steenbergen et al., 2006), finance (e.g., “analysts ratings” of companies listed in the major stock markets), marketing (e.g., Wilkie, 2005) but also sustainable tourism, medicine and agriculture (e.g., Gabre-Madhin, 2003). While expert surveys have limitations and should be considered exploratory in nature, they are useful in providing some independent assessment on complex, technical and specialized issues for which data is not readily available. This method may therefore be particularly well suited to examine the cost of implementation of trade facilitation in the context of the on-going multilateral trade negotiations, where what is needed is a general unbiased assessment of the relative cost of the various TFMs being negotiated that could serve as a reference point for negotiators in their discussion and for the policy makers and national experts in arriving at more detailed cost benefits estimates.

The expert survey instrument developed had three parts. Part A requested the experts to describe the likely cost for the Government of implementing 12 TFMs in an LDC or low-income developing country based on their experience. The following cost components were included:

- *Regulatory/Legislative Costs*: Extent to which new legislation will be needed, requiring expertise and time.
- *Institutional Costs*: Extent to which new institutions will be needed, additional units in existing institutions, or restructuring with existing institutions
- *Human Resources (HR) Training Costs*: Extent to which government officials will need to be trained for efficient implementation of the trade facilitation measure
- *Equipment/Infrastructure Costs*: Extent to which new/additional equipment will be needed for implementation of the measure, as well as to ensure its effectiveness (e.g., if docs are published online but SMEs do not have internet access because of lack of a decent national ICT infrastructure...)
- *Political Costs*: Extent to which such measures will be resisted by staffs within relevant institutions; or by policy makers because of fears of losing political support they need
- *Recurring/Operating Costs*: Costs associated with maintaining the new/additional systems associated with the trade facilitation measure (e.g., replacement of computers and softwares for e-customs or e-trade doc. systems; salary/wages of dedicated additional staffs or experts;...)

In addition, experts were also asked to evaluate the long-term savings potential of each measure – i.e., extent to which full implementation of a trade facilitation measure will result in savings for the administration involved (e.g., customs) – as well as the time

it would take to implement a measure in an LDC, provided appropriate technical assistance was made available.

In part B, experts were asked to rank order 5 of 12 measures as high priority measures for inclusion in a revision of Article V, VIII, X or a WTO Agreement on Trade Facilitation. Part C asked experts to put the 12 TFMs into three groups for sequential implementation, recognizing the fact that many of the measures being discussed at the WTO were interlinked and would need to be implemented in sequence. The complete survey instrument is provided in Annex II.

**Table 1- Trade Facilitation Measures Selected for Analysis**

Trade Facilitation Measures	Related WTO Members' TN/TF/.. Proposals*
TF1. Alignment of trade documents according to the UN Layout Key for trade documents, adoption of the HS nomenclature and use of internationally agreed standard data elements for trade documents	W/17, W/18, W/30, W/36, W/46, W/62 (Use of International Standards)
TF2. Systematic and timely online publication of relevant trade regulations and procedures, including fees and charges, in the local language and in English	W/13 (also W/6, W/7, W/8, W/14, W/17, W/23, W/26, W/30, W/32 and W/45)
TF3. Establishment of enquiry points and single national focal points for trade regulations and other trade facilitation issues	W/6; W/7, W/8, W/10, W/26, W/30, W/45
TF4. Establishment of a national trade facilitation committee to comment on new and amended rules prior to their entry into force as well as to conduct periodic reviews of trade procedures	W/6, W/7, W/8, W/24, W/26, W/32
TF5. Provision of advance rulings on tariff classification, valuation, and origin that are binding (for a specific time period)	W/8, W/9, W/10, W/12, W/38, W/45 (also W/66)
TF6. Establishment of an effective appeal procedure for Customs and other agencies rulings	W/6, W/8
TF7. Establishment of a single window system, defined as a system allowing traders to submit all relevant documents at one time and place for approval by all government agencies. This system may or may not be IT based.	W/17, W/18, W/30, W/45, W/46 (also W/20, W/58 and W/69)
TF8. Establishment and systematic use of pre-arrival clearance mechanisms (processing of goods declarations received in advance of goods arrivals, and pre-arrival clearance)	W/10, W/17, W/18, W/30, W/46 (also W/45, W/53 and W/69)
TF9. Implementation of modern risk management systems for release and clearance of goods	W/10, W/17, W/18, W/30, W/45, W/46, W/49 (also W/42 and W/61)
TF10. Establishment and wider use of audit-based customs (post-clearance audits)	W/10, W/18, W/30, W/49 (also W/55 and W/69)
TF11. Expedited clearance of goods (subject to post-clearance audit) based on a bond, guarantee, or deposit arrangement.	W/28, W/35, W/39
TF12. Expedited procedures for express shipments and qualified traders/companies	W/10, W/15, W/30, W/44, W/45); See also W/40 and W/65

\* All proposals are available online at [www.wto.org](http://www.wto.org). This table is based on information contained in the WTO compilation of proposals issued on 31 October 2005 (TN/TF/W/43/Rev.4)

Because of the need to keep the survey instrument to a manageable length, only twelve TFMs were specifically included, with the option for the respondent to add one

more to the list. The list of twelve TFMs was based on discussions within the ARTNeT Trade Facilitation research team and its advisors after a review of the proposals on the table in May 2005. The 12 measures are closely related to the trade facilitation areas selected by the OECD when it conducted its series of national surveys on the cost of implementing TFMs in 2005<sup>3</sup>.

The 12 measures included are summarized in table 1, along with references to the various WTO member proposals to the Negotiating Group on Trade Facilitation. Most TFMs are related to Customs reform and may be considered for inclusion in revisions of Articles VIII and/or X. No TF measures specifically related to transit issues (Article V) were included in the survey.

Experts were selected based on the roster of trade facilitation experts and international organization focal points of the Trade Efficiency and Facilitation Section, Trade and Investment Division, UNESCAP. Twenty experts and international organizations with known previous experience working on trade facilitation issues and implementation of various TFMs globally or in the Asia-Pacific region were contacted by email to complete the survey, following testing of the instrument by two senior experts. The minimum requirement set for survey responses to be included in the analysis was that the respondent had a minimum of 4 years of on-going experience in trade facilitation and implementation of TFMs in more than one country of the UNESCAP region. All respondents were asked to complete the surveys individually based on personal experience and not on behalf of their organizations.

## ***b- Results***

Fourteen international experts completed the survey between September 2005 and November 2005, resulting in a response rate of 70 per cent. Respondents included experienced staff and/or senior trade facilitation consultants from the Asian Development Bank (ADB), OECD, UN Conference on Trade and Development (UNCTAD), UN Economic Commission for Europe (UNECE), UN Development Programme (UNDP), UNESCAP, World Customs Organization (WCO) and the World Bank. The average year of experience of the sample in trade facilitation was 11 years (140 years of cumulated trade facilitation experience), with a majority of the respondent having acquired their experience in the South and Southeast Asian countries.

### **i- Implementation cost and time of selected trade facilitation measures.**

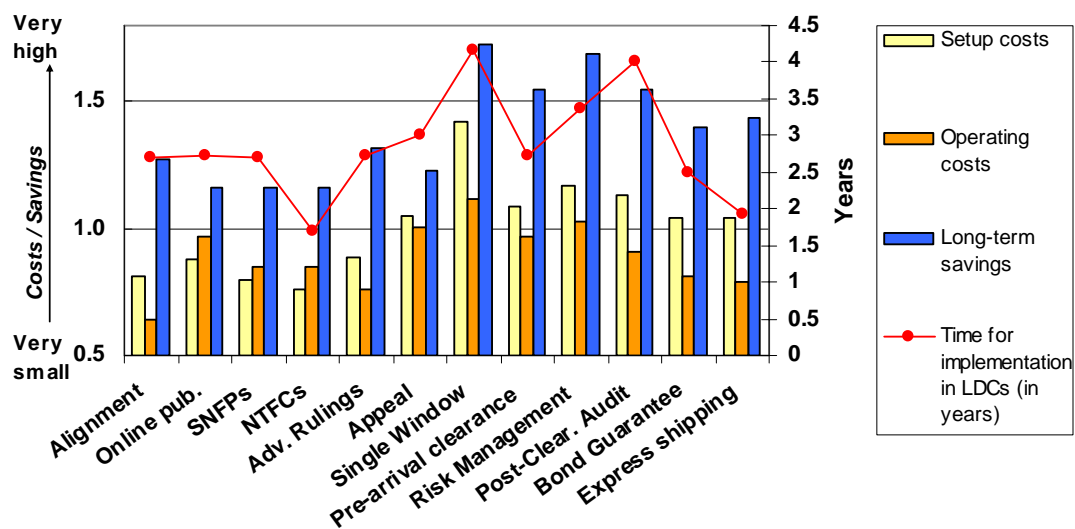
Figure 1 shows the average implementation time and the relative cost and benefits (long-term savings) associated with each of the TFMs considered. In that figure, qualitative cost estimates are expressed in the form of an index, calculated as the average

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<sup>3</sup> OECD included 11 trade facilitation “areas” in its country surveys, while this survey included more specific trade facilitation measures (e.g., OECD considered “publication and availability of information” while we considered “online publication of all relevant trade regulations in local language and English”).

of each respondent's estimate divided by the average setup costs estimates for all TF measures of that respondent. This index shows the implementation cost of each measure relative to the average setup cost of all measures considered, which may be very useful in assisting negotiators to prioritize the various measures<sup>4</sup>. For example, a trade facilitation measure with an indexed setup cost value of 1 means that experts, on average, estimate that this measure has average setup costs when compared to other measures, while a value of 2 would indicate that a given trade facilitation measure has implementation costs of twice the average setup costs of all TF measures included in the survey.

**Figure 1- Experts' Qualitative Assessment of the Relative Cost, Benefits and Time Needed for Implementing Selected Trade Facilitation Measures**



The results provide qualitative estimates of setup costs, operating costs as well as long-term savings to be incurred by the governments implementing the selected measures. The most striking result is that all respondents, which also included senior customs officers from developing countries not initially supportive of including trade facilitation in the WTO negotiations, agree that long-term savings far exceed the setup and operating costs for all TF measures.

Another glance at Figure 1 also reveals that operating costs are perceived to be much lower than initial setup costs, except for three of the 12 measures: online publication, single national focal points, and national trade facilitation committees. However, the overall costs of these three measures are among the lowest in the set considered. The trade facilitation measure with the lowest cost and the highest relative

<sup>4</sup> That index could be used in comparing estimates across experts, as comparing absolute estimates across experts would not be appropriate. Because experts may have used different anchors (reference points) when estimating whether costs for a particular measure were *Very Small* [ $VS = 1$ ], *Small* [ $S=2$ ], *Medium* [ $M=3$ ], *High* [ $H=4$ ] or *Very High* [ $VH=5$ ], interpretation of the results must be done in relative rather than absolute terms.

long-term savings to cost ratio is that which refers to the adoption and use of international trade facilitation standards such as the UN layout key for trade documents and the HS nomenclature.

Establishment of (electronic) single windows system is perceived as the most costly of the 12 TF measures, followed by the implementation of a risk management system and the establishment and wider use of audit-based customs. These three measures also take the most time to implement, with experts indicating that least developed and low-income developing countries would need at least three to five years for implementing them, provided they had adequate resources to do so (three to five years). Expedited procedures for express shipments and qualified companies, setup of a system of bond or deposit guarantees and establishment on national trade facilitation committees, were seen as three measures that could be implemented quickly provided that political will existed.

Figure 2 shows qualitative cost estimates by cost category defined earlier (regulatory setup costs, institutional setup costs, human resources training setup costs, equipment setup costs, political setup costs and recurring costs) for all TF measures. Interestingly, political costs, defined as the “Extent to which a measure will be resisted by staffs within relevant institutions; or by policy makers because of fears of losing political support they need” are among the top two costs categories for 10 of the 12 TF measures considered. Equipment/Infrastructure also ranks as a top cost category for five of the 12 measures, followed by human resources training cost during the initial phase (top cost category for 4 of 12 TF measures). Regulatory costs are generally perceived to be low relative to other cost categories, except for the implementation of effective appeal procedures of Customs rulings and the establishment of a bond guarantee or deposit system to expedite the clearance of goods.

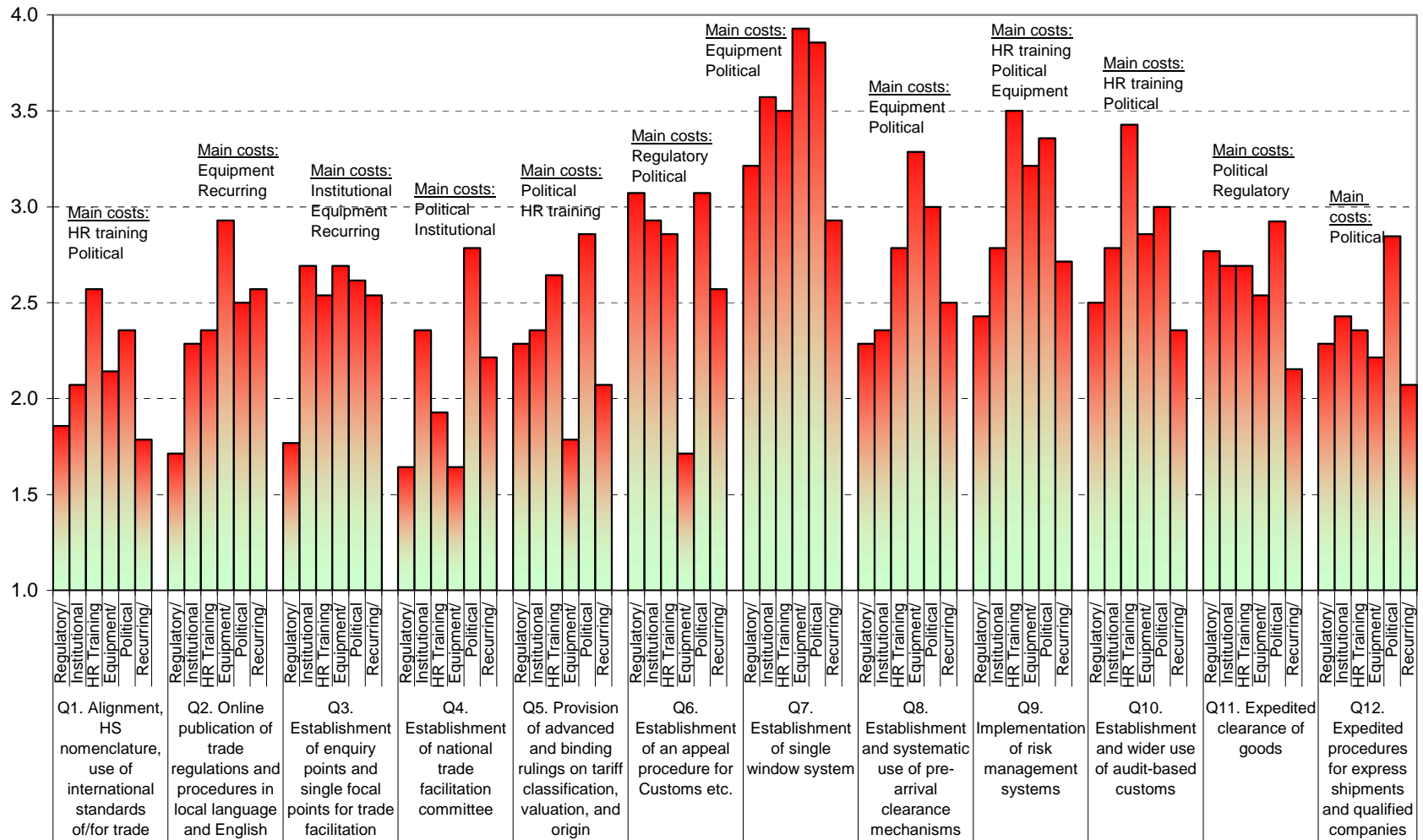
As they provided their cost estimates, the experts were also encouraged to provide additional insights on the implementation and cost of various TFMs. The main comments are summarized below:

*TF1. Alignment of trade documents according to the UN Layout Key for trade documents, adoption of the HS nomenclature and use of internationally agreed standard data elements for trade documents*

- The resistance and inertia to the change of existing trade documents could be quite a challenge. Detailed and tedious work towards agreed and harmonized data elements, their semantics and coding, along with the involvement of several agencies could make this exercise very costly in terms of time and institutional costs (e.g. preparation and on-going activities of capable working team).



**Figure 2 – Average Qualitative Cost Estimates of Trade Facilitation Measures by Cost Category**



- It should be noted that in most administrations some amount of alignment has already been done (all the developing countries which use ASYCUDA may be considered as having implemented this group of measures). One necessary alignment would be for the customs declarations to be aligned.
- Note that the UN layout key implementation is likely to be skipped if the LDC does not have an automated Customs system. The adoption of UNEDIFACT/CEFACT standards and implementation of WCO data models, the HS system and a Customs automation system are generally integrated into a single programme. The UN Layout key as a stand alone approach only applies if the system is to remain a hard copy paper-based system.
- These measures are prerequisites to more advanced TF measures, such as e-single window.

*TF2. Systematic and timely online publication of relevant trade regulations and procedures, including fees and charges, in the local language and in English*

- This should be done through a web based system, which should also publish all regulations and Laws affecting importers and exporters, trade professionals and permit issuing agencies. Ideally, this should integrate enquiry points (TF3) into the same site and feedback system. Such a system would need to be supported by a small team and should provide a very fast turnaround to queries and a FAQ section on the web site, together with comprehensive trade and trade facilitation links.
- The most costly aspect is English translation, which will generate both initial and operating costs. The costs of online publication may depend on the level of ambition (level of detail/interactivity) but some of the initial costs can be minimized by using resources provided by international organizations (e.g., model websites).
- Capability of users, e.g. traders especially SME, including necessary national ICT infrastructure, and their human capability, are necessary to fully gain benefits from this measure. The implementation of the necessary national ICT infrastructure could delay the readiness and the usage of this measure.

*TF3. Establishment of enquiry points and single national focal points for trade regulations and other trade facilitation issues*

- The question of who should operate and manage such a system is more complex. It could be the Ministry of Commerce, Ministry of Finance, Customs, etc. Ideally it should be a cross-Government agency initiative. In some countries it has been a joint public/private sector enterprise.
- Some political resistance to SNFPs, as distinguished from simple enquiry points, has been expressed in the NGTF and among some WTO Members.
- Establishment of only enquiry points will take less costs and time than establishment of single national focal points for improvement of trade regulations and trade facilitation issues. Political understanding, commitment and engagement of several relevant institutes are success factors to this establishment. For example, single national focal points including physical one-stop services need collaboration from many relevant authorities and their staffs, and also office spaces and basic equipments
- A detailed examination of this issue at national level has found that this may be an expensive and counter productive exercise in countries which have multiplicity of customs locations and also have a federal structure. In fact setting up enquiry points at each location with a well established set up of multi agency availability of information at each location not only is more efficient but also cost effective. The issue here is not to get carried away with the concept of national focal points which is very often

recommended but would be inefficient and expensive in countries with large areas and very little infrastructural support.

- Creation of new units and training of staff to compose them will be the main cost of this measure, which is largely counterbalanced by savings in terms of time for non-dedicated staff that no longer has to reply to routine enquiries

*TF4. Establishment of a national trade facilitation committee to comment on new and amended rules prior to their entry into force as well as to conduct periodic reviews of trade procedures*

- Regulatory and political costs may depend on whether such committee has a purely consultative role or is given a more important say in the decision making process. It should be of immediate implementation, assuming it can only work properly with people that are already experts (no need of training). The potential "savings" here would take the form of a much better quality regulation (i.e. they are indirect). A national trade facilitation committee should engage in an on-going and continuous TF improvement process.
- To establish a national TF committee with the involvement of both public and private representatives may consume moderate time and cost, but to strengthen and maintain its ongoing activities needs a lot of will, efforts and resources.
- Where rules are issued from one central point this may work out well. However, it should be kept in mind that, in countries where individual locations are also given flexibility to devise and implement trade procedures (e.g., because they are in different partially autonomous regions/states), there will be a need to establish local or regional committees. These committees should meet regularly to discuss relevant issues, including centrally issued rules, and bring any problems to the notice of the central administration.

*TF5. Provision of advance rulings on tariff classification, valuation, and origin that are binding (for a specific time period)*

- A graduated S&D system of advanced rulings for DCs and LDCs has been advocated by certain WTO Members. In the initial phase, developing countries would only be required to provide advanced rulings on tariff classification; at later phases, developing countries would be required to provide advanced rulings on valuation and origin.
- The more complex part of this measure may concern valuation, as many administrations are not yet fully comfortable with the implementation of the VAL agreement. The political cost concerns the idea that the ruling will bind the Customs administration; but this bears at the same time the highest benefit potential. The gradual development of "precedents", be they only for internal use, will ensure uniformity of implementation, enhance integrity and provide "rules of thumb" for many officers in border posts.
- Costs will vary depending on national systems in place. In countries like Australia, where the Customs Departmental officers issue such rulings, the costs may be a part of the normal Customs establishment. In countries like India, where a legal authority must be set up for advance rulings, the costs will be in the range of medium to high. In countries like the USA, where the requirement is to have attorneys involved, this may be high.

*TF6. Establishment of an effective appeal procedure for Customs and other agencies rulings*

- Appeal procedures are normally built into effective Customs Laws and subsidiary Departmental Laws. "Effective" implies transparency and a good-ideally automated-risk

management system, for Customs Declarations and Permit Issuing Authorities. These tend to arrive well after automation and its preparatory work.

- Introduction of new or amendment of existing laws and regulations may be necessary for some countries, particularly if judicial review is provided. There may also be re-alignment of regulatory relations between the judiciary and administrative agencies. Even if only administrative review is involved, there will be HR training costs for deployment of effective appeal procedures. There is likely to be some political resistance, particularly for judicial review.
- Contrary to what might be expected the confidence building potential of this measure appeals strongly to Customs administrations who may fear less that their decisions may be overturned by regular courts. In the long run it is also a strong factor against trader's temptations to cheat

*TF7. Establishment of a single window system, defined as a system allowing traders to submit all relevant documents at one time and place for approval by all government agencies. This system may or may not be IT based.*

- Assuming the implementation of an ICT-enabled system, there will be substantial costs and benefits accruing to all countries, including LDCs. Given the infrastructural constraints and limited implementation capacities of LDCs, longer transition periods should be granted and implementation should be tied to TA/CB support. Reduced staff costs and increased customs revenue are among the benefits.
- Costs for the measure will vary widely depending on whether it is or not IT-based : equipment and operating costs may be minimal or even negative (i.e. cost savings) for non-IT-based systems and very high for a very sophisticated IT-based system. Regulatory and political costs will depend on whether one agency (essentially Customs) are given precedence or not. The savings potential in terms of enhanced productivity of border agencies is high and the welfare potential if the impact on traders is considered even higher
- While in economies like that of Singapore or Hong Kong where the requirement of regulations is limited this may work well. In smaller countries also there may be some benefits. In certain types of administrative systems it may be a good idea to keep this as a long term goal. It should be noted that the levels of automation in many countries are not the same for all the agencies. Similarly the software and the systems base are not the same for agencies. A non IT based solution talked of here can only work for very small economies.
- A paper-base series of Single Windows may simply be a inexpensive single office in a Ministry or Customs, at very little cost. An electronic Single Window (including Customs automation, networks, HR, skills, training, etc.-technology alone-ranges from \$10 million upwards to around \$50 million depending on the size of the economy, geographic diversity and sophistication of design.

*TF8. Establishment and systematic use of pre-arrival clearance mechanisms (processing of goods declarations received in advance of goods arrivals and pre-arrival clearance)*

- These processes can be deployed in a paper or paperless environment. It is difficult to deploy effective risk management and transparent processes in a paper based environment. Nevertheless, pre clearance is a very important practice. In my own experience it is only adopted after automation of Customs, but it should have an impact in a paper based system.

- This can be done manually also. Even if IT-based, costs will be similar since no IT system is going to be developed only for the purpose of allowing only the above procedure. This will be one step in a whole systems procedure.

*TF9. Implementation of modern risk management systems for release and clearance of goods*

- A modern risk management system implies an automated Customs system. If that is the case, risk management ICT infrastructure is incremental to initial automation costs, and a rewritten Customs Law would already include such practices. There would be some education of trade professionals and the private sector, and of specifically affected Customs officers, but marginal in cost.
- Quite demanding in training and time for officers to become comfortable with the new techniques, but the revenue enhancement and increased productivity potential is among the highest.
- Even in existing systems that do not have integrated risk management modules, it is possible to develop a standalone system which can be linked with the existing process. Some amount of development and implementation can also be done on a manual platform.

*TF10. Establishment and wider use of audit-based customs (post-clearance audits)*

- This measure should be seen in the context of the ICT-based solutions that may also be implemented. In particular, this measure should be introduced and implemented in parallel with risk management (TF9). Infrastructure and operating costs can be considerably reduced by exploiting synergies between the two measures.
- Political resistance has been expressed by DCs on account of security concerns.
- Training of staff may take up to 3 years.

*TF11. Expedited clearance of goods (subject to post-clearance audit) based on a bond, guarantee, or deposit arrangement.*

- This is an important customs clearance procedure which has already been legislatively implemented in several A-P developing countries and which does not necessarily involve an ICT-enabled system. Such systems involve the posting of security by traders which is viewed favorably by DCs and LDCs. Institutional costs involving banks and other financial intermediaries will likely be incurred.
- An important factor relating to this measure is whether the country's financial systems allows for such kinds of guarantees. Costs may be incurred by the traders trying to obtain such guarantees (although they would be counterbalanced by indirect cost savings to the same) but we have not identified any costs for the administration itself.
- This system may not be recommended for a broad based application in LDC's and DC's. Most of these countries have high inflation levels, high level of non-compliant trade and nearly 60% of informal sector trade. This is recommended only for established traders with fixed assets and interest in the country. Hence the benefit will be dependent on the type of economy, high level of automation, registration of the industry etc.

*TF12. Expedited procedures for express shipments and qualified traders/companies*

- It can be extremely difficult to apply expedited measures in a paper based system, since transparency is such an issue where speed is necessary. Similarly, without sophisticated

Customs Laws that recognise Express Carrier operations, local un-incorporated companies proliferate, which penalises the incorporated international Courier Express Companies.

- The recommendation is that the express carriers should be liable for setting up the infrastructure for the clearances. This is the practice followed in developed countries but for some reason not extended to the DC's and LDCs.
- This measure is cheaper to implement on a larger scale. It is important for integrity reasons to rotate staff but related training expenses will be lost if there is not a critical mass of concerned companies.

## ii- Priority of trade facilitation measures

Table 2 summarizes experts' ranking of TFMs that should get high priority for inclusion in the revisions of the three GATT articles under negotiation. The first five measures in the table are consistently ranked among the top 5 (of 12) measures for inclusion. *Adoption and implementation of international standards for trade documents (e.g., United Nations Layout Key) and the HS nomenclature* is consistently ranked as one of the two highest priority measures to be included in the revised articles. Indeed, this measure is one of the most cost effective measure, as well as possibly the least problematic, since most WTO members have already adopted many of these standards.

**Table 2 – Expert's Suggested Trade Facilitation Measure Priorities**

TF Measure	Average ranking	Standard Deviation
<b>Q1. Alignment, HS nomenclature, use of international standards of/for trade documents</b>	1.8	1.3
<b>Q3. Establishment of enquiry points and single focal points for trade facilitation issues</b>	2.8	2.0
<b>Q2. Online publication of trade regulations and procedures in local language and English</b>	3.3	1.8
<b>Q9. Implementation of risk management systems</b>	3.5	1.9
<b>Q4. Establishment of national trade facilitation committee</b>	3.5	2.2
<b>Q5. Provision of advanced and binding rulings on tariff classification, valuation, and origin</b>	3.6	1.6
<b>Q6. Establishment of an appeal procedure for Customs etc.</b>	3.8	2.0
<b>Q7. Establishment of single window system</b>	4.1	1.9
<b>Q8. Establishment and systematic use of pre-arrival clearance mechanisms</b>	4.0	1.7
<b>Q10. Establishment and wider use of audit-based customs</b>	4.5	1.6
<b>Q11. Bond and deposit guarantees for expedited clearance</b>	4.6	1.7
<b>Q12. Expedited procedures for express shipments and qualified companies</b>	4.8	1.6

1 = high priority for inclusion; 5= lowest priority for inclusion

*Establishment of enquiry points and single national focal points for trade facilitation* as well as *Online publication of trade regulations and procedures in local language and English* rank, on average second and third. *Implementation of risk management systems*, *Establishment of national trade facilitation committees* and *Provision of advanced and binding rulings on tariff classification, valuation and origin* receive similar priority rankings. Interestingly, there seem to be relatively more disagreement among experts on the prioritization of national trade facilitation committees than for other high-priority measures, which may be explained by the many failed attempts at establishing effective and sustainable institutions of this kind in a number of developing countries in the region and beyond.

*Establishment of an effective appeal procedure for Customs and other agencies rulings* is ranked among the top 5 priority measures by all but two experts. *Establishment of a single window system, defined as a system allowing traders to submit all relevant documents at one time and place for approval by all government agencies* and *Establishment and systematic use of pre-arrival clearance mechanisms*, two of the measures promoted by advanced developing and developed countries, are only included in the top 5 priority measures for inclusion in the revised articles by a small majority of experts (58%).

One expert indicated that *Customs automation* should be given top priority, and another suggested that including *adoption of regional or/and international transit agreements* in a revision of Article V was very important for developing countries.

### **iii- Sequencing of trade facilitation measures**

As one of the expert respondents' noted, a difficulty with estimating time and infrastructure costs is that much depends on how these measures are sequenced. If too many are initiated simultaneously, the implementation will likely take longer. Similarly, some investment in equipment/infrastructure, as well as training, can be amortised over more than one measure, thus reducing the cost for any one measure. Therefore, sequencing is an issue that may need to be carefully discussed during the negotiations. Table 3 provides an overview of how, on average, expert group the measures into three distinct sets (A,B,C) to be implemented sequentially.

Some measures fall into two sets as experts disagree on the sequencing. In particular, there is significant disagreement among experts on trade facilitation measure TF12. Some experts indeed believe this measure can be effectively and transparently put in place only after a risk management and audit-based customs control system are fully operational, while other argues that implementation of that measure may start earlier.

**Table 3- Expert’s suggested sequencing of Selected Trade Facilitation Measures**

<b>TF Measures</b>	<b>Sequencing</b>
TF1. Alignment, HS nomenclature, use of international standards of/for trade documents	A
TF4. Establishment of national trade facilitation committee	A
TF3. Establishment of enquiry points and single focal points for trade facilitation issues	A
TF2. Online publication of trade regulations and procedures in local language and English	A or B
TF6. Establishment of an appeal procedure for Customs etc.	B or A
TF9. Implementation of risk management systems	B or A
TF8. Establishment and systematic use of pre-arrival clearance mechanisms	B
TF5. Provision of advanced and binding rulings on tariff classification, valuation, and origin	B
TF7. Establishment of single window system	C or B
TF10. Establishment and wider use of audit-based customs	C
TF11. Bond Guarantees/Security Deposits for expedited clearance	C
TF12. Expedited procedures for express shipments and qualified companies	C or A or B

While a number of experts pointed out that audit-based customs systems should be part of a modern risk management system in the first part of the survey, TF6 (risk management) was consistently sequenced earlier than the establishment and wider use of audit-based customs. This may be explained by the fact that, as pointed by one of the experts, that risk management can be partially implemented as a stand alone activity while implementation of effective post-clearance audit mechanisms involve a number of factors, including a conducive domestic and regulatory environment, that may be difficult to achieve quickly in many developing countries.

### ***Conclusion and Possible Implications***

After a review of implementation cost information found in WTO members proposals to the NGTF and relevant research and policy studies, results of an expert survey on the implementation costs associated with 12 TFMs relevant to the negotiations were presented. While these results are exploratory in nature, they are broadly consistent with those obtained by the Organization for Economic Cooperation and Development (OECD, 2005). In particular, long-term savings/benefits greatly exceed the perceived implementation cost for all measures considered. This alone, however, does not imply



that implementation of all TFMs studied should be required under the WTO framework, given the significant costs associated with some of the measures.

The results suggest that TFMs under consideration by the NGTF for possible inclusion in revised articles V, VIII and X should be selected carefully as overall cost implications for Governments differ significantly across measures, as does time needed for implementation in LDCs. While measures such as *alignment of trade documents, adoption of the HS nomenclature and use of internationally agreed standard data elements, establishment of a national trade facilitation committee*, and even possibly *provision of advanced and binding rulings* may be implemented at relatively low cost (provided countries are committed to trade facilitation), TF measures such as the *establishment of an IT-based single window system, a modern risk management system, pre-arrival clearance, and wider use of post-clearance audits* entail some real setup costs and may require a long time before they can be fully implemented in some developing countries.

Given the potential savings associated with many of the measures, developing and least developed countries members of the WTO have no reason to oppose inclusion of any TF measure outright, provided that adequate technical assistance and flexibility is made available by developed country members (e.g., an IT-based single window system is being implemented in Cambodia, an LDC, with technical assistance of the World Bank and others). The type and extent of technical assistance provided, as well as the amount of flexibility to be given, may depend on the types of costs involved in implementing the various TF measures.

Experts' responses clearly show that the main cost component associated with implementing some of the TF measures may often not be related to regulatory, training, or equipment costs, but to political costs. Indeed, as many practitioners know well, implementation of TFMs involve various degree of change in how things are done and change is often perceived negatively by most, at least in the short-term. For example, while enhancing and formalizing communication and interactions between the various stakeholders involved in trade facilitation through the setting up of a national trade facilitation committee involves low regulatory, training and equipment, and even recurring operational costs, some agencies may strongly resist this initiative, resulting in significant delays. Therefore, DCs or LDCs may need time flexibility for implementing TFMs with perceived high political costs, while they may need technical assistance in the form of international experts for TFMs involving mainly HR training costs, or in the form of grants for those requiring investments in infrastructure and equipment.

Experts did rank *adoption and use of international standards, establishment of enquiry points, trade facilitation committees and online publication of trade regulations and procedures as priority measures*, although there was some disagreement on the English language requirements for publication and the need for single vs. multiple enquiry points. Provision of advanced and binding rulings on tariff classification, valuation, and origin, also a relatively "low cost" measure, is also given priority. The only "costly" trade facilitation measure included in the top 5 priority TF measure by the

expert is the establishment of a risk management system. This is not surprising given the significant savings and private sector benefits associated with this specific measure (in terms of cutting average customs clearance time) and the fact that it may be implemented, in its most basic form, with limited investment in IT systems.

This initial set of TF measures, along with establishment of an effective appeal procedure for customs and other agencies rulings, and perhaps with the exception of advance rulings on valuation and origin, may be considered for inclusion in revisions of the relevant GATT articles, taking into account the need for logical sequencing of the measures and the fact that trade facilitation measures should be preferably implemented as part of an overall national trade facilitation programme, as opposed to a series of stand alone measures implemented in isolation.

It is noteworthy that some experts disagree on the details of implementation of a particular measure (e.g., enquiry points and single national focal points) and note that some measures may not be beneficial depending on how and where they are implemented. Since negotiators have neither the time or the expertise to agree on these detailed issues, it would seem appropriate that the agreement refer only to TFMs that have been accepted/implemented by a wide range of countries, using existing definitions and agreements to the maximum extent possible (e.g., the revised WCO Kyoto Convention that has recently entered into force). In addition, this finding suggests that, as for matters related to Sanitary and Phytosanitary Measures and Technical Barriers to Trade, the WTO may need to establish a long-term institutional mechanism to deal with evolving trade facilitation measures and issues, as already suggested by some members (e.g., in TN/TF/W/62).

Another possible implication of this finding is that countries may agree on a subset of well-defined TFMs to be implemented by all, as well as on a complementary list of possibly more controversial TF measures from which countries would select, based on their own needs and specificity, a pre-determined number of measures for implementation. This would be reminiscent of a communication from Pakistan and Switzerland (TN/TF/W/63) suggesting that there may be a need to categorize measures into two categories depending on whether they require only or mostly administrative actions or whether they require significant resources and implementation capacities, and to devote different treatment to these two categories of measures.

While the exploratory nature of expert surveys must be recognized, the use of this method in the context of multilateral trade negotiations is promising, as it provides an effective way to analyse complex issues in a short period of time and with limited resources. Because expert surveys rely on a multiplicity of expert opinions from different countries and background, the results, which represent a “consensus” among experts, may facilitate the development of a “consensus” between negotiators.

This study only covered twelve trade facilitation measures, none directly related to transit issues. One may therefore consider extending the study to transit facilitation measures, as well as to examine various S&DT provisions that may be associated with

various TFMs, as suggested in the Annex E of the Hong Ministerial Declaration (para. 7, WT/MIN(05)/DEC). Use of the Delphi technique (Adler and Ziglio, 1996), whereby experts are shown answers of other experts and given a chance to revise their estimates/forecasts, may also be considered in future work.

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***Annex 1 –Cost/benefits/concerns of implementing TF measures:  
A review of WTO members proposals TF/TN/W/6 to TF/TN/W50***

## Implementation Costs and Benefits of Trade Facilitation Measures proposed by the Members

### PUBLICATION AND AVAILABILITY OF INFORMATION

<i>Country Category</i>	<i>Country Name</i>	<i>Proposal No.</i>	<i>Opinion on Implementation Costs and Benefits of the Item in question</i>
Developed	EC	TF/TN/W/6	1. Modest start-up costs 2. Saving trade costs, especially for SMEs 3. Reducing government expenditure in a number of ways
Developing	Korea	TF/TN/W/7	Easy to implement, cost would be rather small
Developed	USA	TF/TN/W/13	1. For Internet publication, costs will occur for development and maintenance of an Internet site. 2. Such costs have been dropping due to the technology improvement. 3. Compared to traditional methods of communication, Internet publication is resource-saving and efficient.
Developing	China	TF/TN/W/26	1. Establishment of enquiry points and Internet publication requires high resource input. 2. The implementation cost is related to the IT modernization level of the individual member.
Developing	Argentina	TF/TN/W/40	1. In the short term costs will occur for maintaining Internet sites and building up the necessary capacity. 2. In the medium and long term considerable savings of resources, greater efficiency and increased trade flow can be expected.

### TIME PERIODS BETWEEN PUBLICATION AND IMPLEMENTATION

<i>Country Category</i>	<i>Country Name</i>	<i>Proposal No.</i>	<i>Opinion on Implementation Costs and Benefits of the Item in question</i>
Developed	EC	TF/TN/W/6	See Section A
Developing	Korea	TF/TN/W/7	See Section A

### CONSULTATION AND COMMENTING ON NEW AND AMENDED RULES

<i>Country Category</i>	<i>Country Name</i>	<i>Proposal No.</i>	<i>Opinion on Implementation Costs and Benefits of the Item in question</i>
Developed	EC	TF/TN/W/6	1. Modest start-up costs 2. Saving trade costs, especially for SMEs 3. Reducing government expenditure in a number of ways, e.g. by reducing the risk of regulations which were poorly thought out .
Developing	Korea	TF/TN/W/7	See Section A

### ADVANCE RULINGS

<i>Country Category</i>	<i>Country Name</i>	<i>Proposal No.</i>	<i>Opinion on Implementation Costs and Benefits of the Item in question</i>
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Developed	Canada	TF/TN/W/9	<ol style="list-style-type: none"> <li>1. For countries with existing advance ruling program, implementation cost would be minimal.</li> <li>2. For countries without advance ruling program, cost for publication, recruiting additional personnel and supplementary training would occur.</li> <li>3. Initial Costs are likely to be rapidly amortized.</li> </ol>
Developed	USA	TF/TN/W/12	<ol style="list-style-type: none"> <li>1. Cost for redirecting administrative resources would be entailed: personnel training.</li> <li>2. Some costs may be transferred to trader through a reasonable fee structure for obtaining a ruling, or through a regional ruling authority.</li> </ol>

#### APPEAL PROCEDURES

<i>Country Category</i>	<i>Country Name</i>	<i>Proposal No.</i>	<i>Opinion on Implementation Costs and Benefits of the Item in question</i>
Developed	EC	TF/TN/W/6	See Section A
Developed	USA	TF/TN/W/21	<ol style="list-style-type: none"> <li>1. Costs for establishing a legal framework and for redirecting administrative resources would occur.</li> <li>2. Amount of cost depends on individual situation of Members, but in each situation there is not likely significant financial expenditure.</li> </ol>

#### FEES AND CHARGES CONNECTED WITH IMPORTATION AND EXPORTATION

<i>Country Category</i>	<i>Country Name</i>	<i>Proposal No.</i>	<i>Opinion on Implementation Costs and Benefits of the Item in question</i>
Developed	USA	TF/TN/W/14	<ol style="list-style-type: none"> <li>1. No significant costs would be resulted in.</li> <li>2. Administrative resource savings can be expected due to increase of transparency.</li> <li>3. Increase in certainty for importers results in increases in revenue collection.</li> </ol>
Developed	EC	TF/TN/W/23	<ol style="list-style-type: none"> <li>1. No costs in terms of administrative capacity would occur.</li> <li>2. Administrative savings should arise with reduction in number and diversity of fees.</li> <li>3. Legitimate fees and charges can remain in order to support the cost for service to traders and maintain the government revenue.</li> <li>4. Simplification and rationalization of fees and charges would generate significant benefit.</li> </ol>
Developed	Australia		
Developing	SCTPKM	TF/TN/W/25	<ol style="list-style-type: none"> <li>1. Costs for training accounting officers to enact and amend the relevant laws/regulations to establish the specific parameter for fees would be required.</li> <li>2. Costs for implementing the proposed system/measure are minimal.</li> </ol>
Developing	Hong Kong	TF/TN/W/31	No substantial costs would be entailed for reduction/periodical review of fees/charges.

#### FORMALITIES CONNECTED WITH IMPORTATION AND EXPORTATION

<i>Country Category</i>	<i>Country Name</i>	<i>Proposal No.</i>	<i>Opinion on Implementation Costs and Benefits of the Item in question</i>
Developing	Korea	TF/TN/W/18	<ol style="list-style-type: none"> <li>1. No significant financial or administrative burden.</li> <li>2. Substantial one-time costs may be involved for standardization of document formats, etc.</li> <li>3. Additional costs of utilizing format should be minimal.</li> </ol>

Developed	Canada	TF/TN/W/20	1. For countries without complex inter-agency procedure, costs would be minimal. 2. For other countries cost for supplementary training for officers would be involved. 3. Eliminating duplication of functions is likely to reduce costs.
Developing	Hong Kong	TF/TN/W/31	No substantial costs would be entailed for reduction/periodical review of formalities/document requirements.
Developed	New Zealand	TF/TN/W/36	1. Costs for standardizing formats are not foreseen at the national level. 2. Costs for training are required. 3. Costs for necessary administrative changes will be relatively modest. 4. Standardized formats will result in decrease of the use of human and economic resources and reduction of workload and costs. 5. Costs should be rapidly recovered by the above-mentioned benefit.
Developed	Norway		
Developed	Switzerland		

#### CONSULARIZATION

<i>Country Category</i>	<i>Country Name</i>	<i>Proposal No.</i>	<i>Opinion on Implementation Costs and Benefits of the Item in question</i>
Developed	USA	TF/TN/W/22	Costs can be saved to traders and administrators through the elimination of a bureaucratic function
LDC	Uganda		

#### BORDER AGENCY COOPERATION

<i>Country Category</i>	<i>Country Name</i>	<i>Proposal No.</i>	<i>Opinion on Implementation Costs and Benefits of the Item in question</i>
Developed	Canada	TF/TN/W/20	1. For countries without complex inter-agency procedure, costs would be minimal. 2. For other countries cost for supplementary training for officers would be involved. 3. Eliminating duplication of functions is likely to reduce costs. 4. Traders would benefit from reductions in delivery delays and transaction costs 5. Governments would benefit from reduced administrative costs through enhanced efficiency and transparency.
Developed	Norway	TF/TN/W/48	Public resources saved (a calculation was made in the case of Norway)

#### RELEASE AND CLEARANCE OF GOODS

<i>Country Category</i>	<i>Country Name</i>	<i>Proposal No.</i>	<i>Opinion on Implementation Costs and Benefits of the Item in question</i>
Developed	EC	TF/TN/W/6	See Section A
Developed	USA	TF/TN/W/15	1. Expedited Release for express shipment involves only simple modifications in regulatory practices, no direct cost would be entailed. 2. Costs may occur if off-hours processing is provided, but could be transferred to express shipment providers.
Developing	Korea	TF/TN/W/18	1. No significant financial or administrative burden. 2. Cost for human capital deepening for operation of a 'single window' or adoption of risk management, etc., will be entailed.



Developed	Australia	TF/TN/W/19	<ol style="list-style-type: none"> <li>1. For the provision of collateral security for release of goods, no direct costs for governments will occur</li> <li>2. Incremental costs in training officers could be limited.</li> <li>3. For the traders, especially SMEs, costs could be saved from reduction in delivery delays and greater certainty.</li> </ol>
Developed	Canada		
Developed	USA	TF/TN/W/21	See Section E
Developing	SCTTPKM	TF/TN/W/44	<ol style="list-style-type: none"> <li>1. The cost of setting up an express clearance system hinges on the degree of business demand and existing customs facilities.</li> <li>2. Costs for new equipped processing lines would arise.</li> <li>3. Costs for new human resource could be avoided or reduced through personnel relocation from other division.</li> <li>4. Part of the initial infrastructure costs and operational costs may be transferred to the express shipment providers.</li> <li>5. For the trader there is huge savings in time and related costs.</li> </ol>
Developing	China	TF/TN/W/49	<ol style="list-style-type: none"> <li>1. No huge costs should be caused for establishment of risk management and post-clearance audit.</li> <li>2. Certain input is necessary in the area of infrastructure, staff training, and coordination among agencies.</li> <li>3. Expense may vary according to the situation.</li> <li>4. Once the establishment is completed, administrative resources would be economically allocated, administrative expenses and trade costs would be reduced.</li> </ol>
Developing	Korea		

#### **MATTERS RELATED TO GOODS TRANSIT**

<i>Country Category</i>	<i>Country Name</i>	<i>Proposal No.</i>	<i>Opinion on Implementation Costs and Benefits of the Item in question</i>
Developing	Korea	TF/TN/W/34	Once the review of the documentary requirements/fees for goods in transit is done, it won't take much public resource to consolidate the documentary requirements and simplify the fee structure.
Developed	EC	TF/TN/W/35	Start-up costs

## ***Annex 2 - Expert Survey Instrument***



## Asia-Pacific Research and Training Network on Trade



### International Experts Survey on the Costs of Implementing Selected Trade Facilitation Measures Relevant to the WTO Negotiations on Trade Facilitation

Dear international trade facilitation expert,

As you know, many developing countries of the region have expressed concern about the costs that could be associated with implementation of trade facilitation measures as part of a WTO trade facilitation agreement. OECD, UNESCAP, and others have tried to investigate these costs by conducting country case studies focusing on historical and estimated future costs of implementing selected trade facilitation measures, mostly based on inputs from Customs and government officials. This approach has been partially successful at best, as officials were typically unable to allocate the costs to specific measures, or to give indications of the staff and/or other resources needed to implement these measures.

At this stage, and given the need to provide some answers to the cost concerns of the developing countries before the next WTO Ministerial meeting in December, we propose to develop qualitative estimates of the costs and benefits of various trade facilitation measures based on inputs from trade facilitation experts with experience in implementing trade facilitation measures. While being aware of the limitations of such an approach, it would nonetheless provide a neutral expert-based input on the issue, which is likely to be seen as more reliable than the opinions/views submitted so far to the WTO Negotiating Group on Trade Facilitation by mainly developed countries or high-income developing countries with advanced ICT infrastructures.

You have been identified as one of a rather exclusive group of **International Experts on Trade Facilitation** with practical experience in implementation of trade facilitation measures in low-income developing countries (or in the Asia-Pacific region). Your assistance in filling out this important short survey is greatly appreciated. Given the qualitative nature of the survey, any details and comments you may provide are greatly appreciated. Results will only be reported in aggregate, and names of respondents will not be disclosed (unless you specifically agree to let us acknowledge your participation in this exercise).

Please return your completed questionnaire to [artnetontrade@un.org](mailto:artnetontrade@un.org) or contact Yann Duval, Economic Affairs Officer, Trade and Investment Division, UNESCAP ([duvaly@un.org](mailto:duvaly@un.org)) for more information or if you have any questions.

Sincerely yours,

**The ARTNeT Secretariat**  
**Trade and Investment Division**  
**United Nations Economic and Social Commission for Asia and the Pacific**  
**Tel: +662 – 288 2252 / Fax : +662 -288 1027**  
**Email: [artnetontrade@un.org](mailto:artnetontrade@un.org); [duvaly@un.org](mailto:duvaly@un.org)**

**A - Based on your experience, how would you describe the likely cost for the Government of implementing the following 12 measures in an LDC or low-income developing country member of the WTO? For each cost category identified, please indicate whether you expect the related implementation costs to be Very small [VS], small [S], medium [M], high [H] or very high [VH] relative to the budget (and/or staff) of the ministry or government institution's most affected by / concerned with its implementation (e.g., Customs Department if it is a Customs related measure).**

### IMPORTANT GUIDELINES

We are interested here only in the costs to be incurred by the Government. Costs (and savings) are broken down as follows:

- **Regulatory/Legislative Costs:** Extent to which new legislation will be needed, requiring expertise and time.
- **Institutional Costs:** Extent to which new institutions will be needed, additional units in existing institutions, or restructuring with existing institutions
- **HR Training Costs:** Extent to which government officials will need to be trained for efficient implementation of the trade facilitation measure
- **Equipment/Infrastructure Costs:** Extent to which new/additional equipment will be needed for implementation of the measure, as well as to ensure its effectiveness (e.g., if docs are published online but SMEs do not have internet access because of lack of a decent national ICT infrastructure...)
- **Political Cost:** **Extent to which such measures will be resisted by staffs within relevant institutions; or by policy makers because of fears of loosing political support they need**
- **Recurring/Operating Costs:** Costs associated with maintaining the new/additional systems associated with the trade facilitation measure (e.g., replacement of computers and softwares for e-customs or e-trade doc. systems; salary/wages of dedicated additional staffs or experts;...)
- **Long-term Savings Potential:** Extent to which full implementation of a trade facilitation measure will result in savings for the administration involved (e.g., customs)

For each measure, you are also kindly requested to indicate the expected implementation time that may be required for implementation of the measures in LDCs (answer to be provided in number of years under the column entitled 'suggested time for implementation in LDCs (in year)').

### EXAMPLE

TF measure: Alignment of trade documents according to the UN Layout Key for trade documents

regulatory/ legislative costs	Startup/initial costs				Political cost	Recurring/ operating costs	Long-Term savings potential	Suggested Time for implementation in LDCs (in years)
	Institutional costs	HR training costs	Equipment/ Infrastructure costs					
VS	S	S	S	M	S	S	2	

**Comments:**

*Translation into English will likely be the most costly aspect of this measure for many countries, and may require creation of positions for a small team of translators beyond the initial startup phase. Development and hosting of the web site could be done by WTO or one of the relevant international organizations.*

Note: for the results to be meaningful / usable, we need some variability in your answers across measures. For this reason please ensure you use the entire scale so as to highlight the measures and cost categories that can be expected to be more costly than others.

**A. Based on your experience, how would you describe the likely cost for the Government of implementing the following 12 measures in an LDC or low-income developing country member of the WTO? For each cost category identified, please indicate whether you expect the related implementation costs to be Very small [VS ], small [S], medium [M], high [H] or very high[VH] relative to the budget (and/or staff) of the ministry or government institution's most concerned with / affected by its implementation (e.g., Customs Department if it is a Customs-related measure).**

**1. Alignment of trade documents according to the UN Layout Key for trade documents, adoption of the HS nomenclature and use of internationally agreed standard data elements for trade documents**

Regulatory/ Legislative Costs	Startup/Initial Costs				Recurring/ Operating Costs	Long-Term Savings Potential	Suggested Time for Implementation in LDCs (in years)
	Institutional Costs	HR Training Costs	Equipment/ Infrastructure Costs	Political Cost			
Comments:							

**2. Systematic and timely online publication of relevant trade regulations and procedures, including fees and charges, in the local language and in English**

Regulatory/ Legislative Costs	Startup/Initial Costs				Recurring/ Operating Costs	Long-Term Savings Potential	Suggested Time for Implementation in LDCs (in years)
	Institutional Costs	HR Training Costs	Equipment/ Infrastructure Costs	Political Cost			
Comments:							

**3. Establishment of enquiry points and single national focal points for trade regulations and other trade facilitation issues**

Regulatory/ Legislative Costs	Startup/initial costs				Recurring/ Operating Costs	Long-Term Savings potential	Suggested Time for Implementation in LDCs (in years)
	Institutional Costs	HR Training Costs	Equipment/ Infrastructure Costs	Political Cost			
Comments:							

**4. Establishment of a national trade facilitation committee to comment on new and amended rules prior to their entry into force as well as to conduct periodic reviews of trade procedures**

Regulatory/ Legislative Costs	Startup/initial costs				Recurring/ Operating Costs	Long-Term Savings Potential	Suggested Time for Implementation in LDCs (in years)
	Institutional Costs	HR Training Costs	Equipment/ Infrastructure Costs	Political Cost			
<b>Comments:</b>							

**5. Provision of advance rulings on tariff classification, valuation, and origin that are binding (for a specific time period)**

Regulatory/ Legislative Costs	Startup/initial costs				Recurring/ Operating Costs	Long-Term Savings Potential	Suggested Time for Implementation in LDCs (in years)
	Institutional Costs	HR Training Costs	Equipment/ Infrastructure Costs	Political Cost			
<b>Comments:</b>							

**6. Establishment of an effective appeal procedure for Customs and other agencies rulings**

Regulatory/ Legislative Costs	Startup/initial costs				Recurring/ Operating Costs	Long-Term Savings potential	Suggested Time for Implementation in LDCs (in years)
	Institutional Costs	HR Training Costs	Equipment/ Infrastructure Costs	Political cost			
<b>Comments:</b>							

**7. Establishment of a single window system, defined as a system allowing traders to submit all relevant documents at one time and place for approval by all government agencies. This system may or may not be IT based.**

Regulatory/ Legislative Costs	Startup/initial costs				Recurring/ Operating Costs	Long-Term Savings Potential	Suggested Time for Implementation in LDCs (in years)
	Institutional Costs	HR Training Costs	Equipment/ Infrastructure Costs	Political Cost			
<b>Comments:</b>							

**8. Establishment and systematic use of pre-arrival clearance mechanisms, processing of goods declaration received in advance of goods arrivals, and pre-arrival clearance**

Regulatory/ Legislative Costs	Startup/initial costs				Recurring/ Operating Costs	Long-Term Savings Potential	Suggested Time for Implementation in LDCs (in years)
	Institutional Costs	HR Training Costs	Equipment/ Infrastructure Costs	Political Cost			
<b>Comments:</b>							

**9. Implementation of modern risk management systems for release and clearance of goods**

Regulatory/ Legislative Costs	Startup/initial costs				Recurring/ Operating Costs	Long-Term Savings potential	Suggested Time for Implementation in LDCs (in years)
	Institutional Costs	HR Training Costs	Equipment/ Infrastructure Costs	Political Cost			
<b>Comments:</b>							

**10. Establishment and wider use of audit-based customs (post-declaration audits)**

Regulatory/ Legislative Costs	Startup/initial costs				Recurring/ Operating Costs	Long-Term Savings Potential	Suggested Time for Implementation in LDCs (in years)
	Institutional Costs	HR Training costs	Equipment/ Infrastructure Costs	Political Cost			
<b>Comments:</b>							

**11. Expedited clearance of goods (subject to post-clearance audit) based on a bond, guarantee, or audit deposit arrangement.**

Regulatory/ Legislative Costs	Startup/initial costs				Recurring/ Operating Costs	Long-Term Savings Potential	Suggested Time for Implementation in LDCs (in years)
	Institutional Costs	HR Training Costs	Equipment/ Infrastructure Costs	Political Cost			
<b>Comments:</b>							

## 12. Expedited procedures for express shipments and qualified traders/companies

Regulatory/ Legislative Costs	Startup/initial costs				Recurring/ Operating Costs	Long-Term Savings Potential	Suggested Time for Implementation in LDCs (in years)
	Institutional Costs	HR Training Costs	Equipment/ Infrastructure Costs	Political Cost			
<b>Comments:</b>							

**B. Which 5 of the above 12 measures would you rank as high priority for inclusion in a revision of Article V, VIII, X or a WTO Agreement on Trade Facilitation? Please rank up to 5 measures by filling the bracket in front of 5 of the measures with numbers from 1 to 5 (1 = highest priority, 5 = lowest priority of top 5 measures).**

1.  Alignment of trade documents according to the UN Layout Key for trade documents, adoption of the HS nomenclature and use of internationally agreed standard data elements for trade documents
2.  Systematic and timely online publication of relevant trade regulations and procedures, including fees and charges, in the local language and in English
3.  Establishment of enquiry points and single national focal points for trade regulations and other trade facilitation issues
4.  Establishment of a national trade facilitation committee to comment on new and amended rules prior to their entry into force as well as to conduct periodic reviews of trade procedures
5.  Provision of advance rulings on tariff classification, valuation, and origin that are binding (for a specific time period)
6.  Establishment of an effective appeal procedure for Customs and other agencies rulings
7.  Establishment of a single window system, defined as a system allowing traders to submit all relevant documents at one time and place for approval by all government agencies. This system may or may not be IT based
8.  Establishment and systematic use of pre-arrival clearance mechanisms, processing of goods declaration received in advance of goods arrivals, and pre-arrival clearance
9.  Implementation of modern risk management systems for release and clearance of goods
10.  Establishment and wider use of audit-based customs (post-declaration audits)
11.  Expedited clearance of goods (subject to post-clearance audit) based on a bond, guarantee, or audit deposit arrangement
12.  Expedited procedures for express shipments and qualified traders/companies
13.  Other trade facilitation measures (*please specify*): \_\_\_\_\_



**C. Many experts recognize the need to implement trade facilitation measures in sequence. However, this need for sequencing has been mostly overlooked in the WTO negotiations so far. Please group the 12 measures into 3 groups (stage 1 measures, stage 2 measures, stage 3 measures) by putting an X in the relevant blank.**

Trade Facilitation Measure	Stage 1	Stage 2	Stage 3
1. Alignment of trade documents according to the UN Layout Key for trade documents, adoption of the HS nomenclature and use of internationally agreed standard data elements for trade documents			
2. Systematic and timely online publication of relevant trade regulations and procedures, including fees and charges, in the local language and in English			
3. Establishment of enquiry points and single national focal points for trade regulations and other issues			
4. Establishment of a national trade facilitation committee to comment on new and amended rules prior to their entry into force as well as to conduct periodic reviews of trade procedures			
5. Provision of advance rulings on tariff classification, valuation, and origin that are binding (for a specific time period)			
6. Establishment of an effective appeal procedure for Customs and other agencies rulings			
7. Establishment of a single window system, defined as a system allowing traders to submit all relevant documents at one time and place for approval by all government agencies. This system may or may not be IT based			
8. Establishment and systematic use of pre-arrival clearance mechanisms, processing of goods declaration received in advance of goods arrivals, and pre-arrival clearance			
9. Implementation of modern risk management systems for release and clearance of goods			
10. Establishment and wider use of audit-based customs (post-declaration audits)			
11. Expedited clearance of goods (subject to post-clearance audit) based on a bond, guarantee, or audit deposit arrangement			
12. Expedited procedures for express shipments and qualified traders/companies			
13. Other (please specify): ____			

**D. How many years of experience do you have in the field of trade facilitation in developing countries? \_\_\_\_ years**

**E. In which developing countries / subregions did you acquire most of your practical experience (list up to two countries / subregions only)?**

\_\_\_\_\_ and \_\_\_\_\_

*Thank you for your cooperation; please return by email to [artnetontrade@un.org](mailto:artnetontrade@un.org)*