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**TCBoost**  
Supporting Trade Capacity Building Worldwide

# Trade Facilitation

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## Trade Facilitation Definitions

- USAID -- “assistance in lowering the costs of engaging in, or eliminating obstacles to international trade flows.”
- WTO -- “the simplification and harmonization of international trade procedures” where international trade procedures are defined as “the activities, practices and formalities involved in collecting, presenting, communicating and procession data required for the movement of goods in international trade.
- An economist’s definition - “reducing all the transactions costs associated with the enforcement, regulation and administration of trade policies.”



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**Layperson's definition - the "plumbing of international trade."**



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## Why is trade facilitation important?

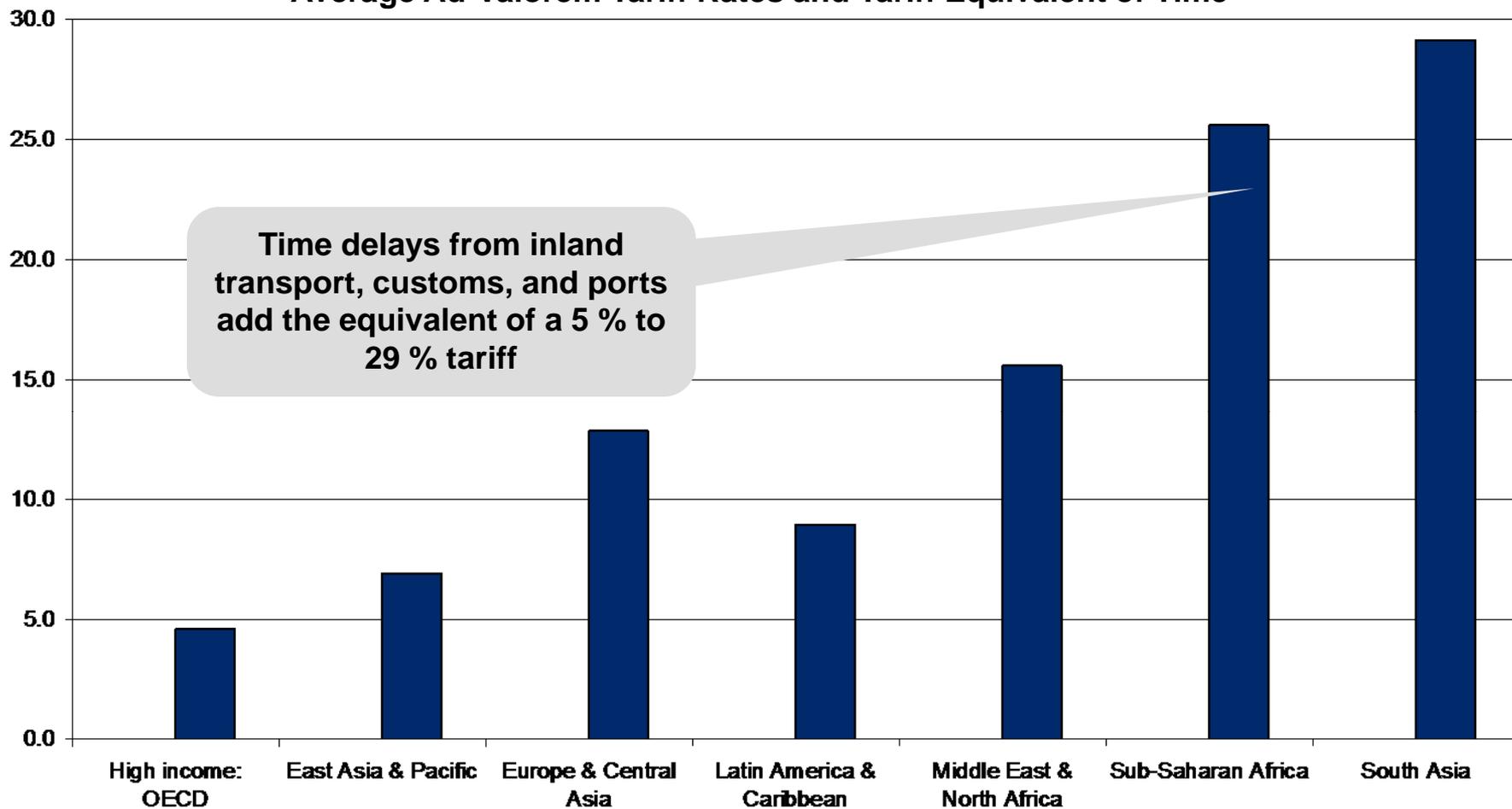
- Simply put, time is money
  - A day's delay means higher inventory costs for the producer/shipper (and buyer)
  - A day's delay reduces the price for vegetables and fruit or holiday items or fashion apparel.
- Tariff equivalent to time-in-trade (Hummels, 2007)
  - For some regions (e.g., Sub-Saharan Africa and South Asia) time delays from inland transport, customs, and ports add the equivalent of a 25% to 29% tariff on top of their exports.





# Average time cost of crossing borders faced by exporters

Average Ad-Valorem Tariff Rates and Tariff Equivalent of Time

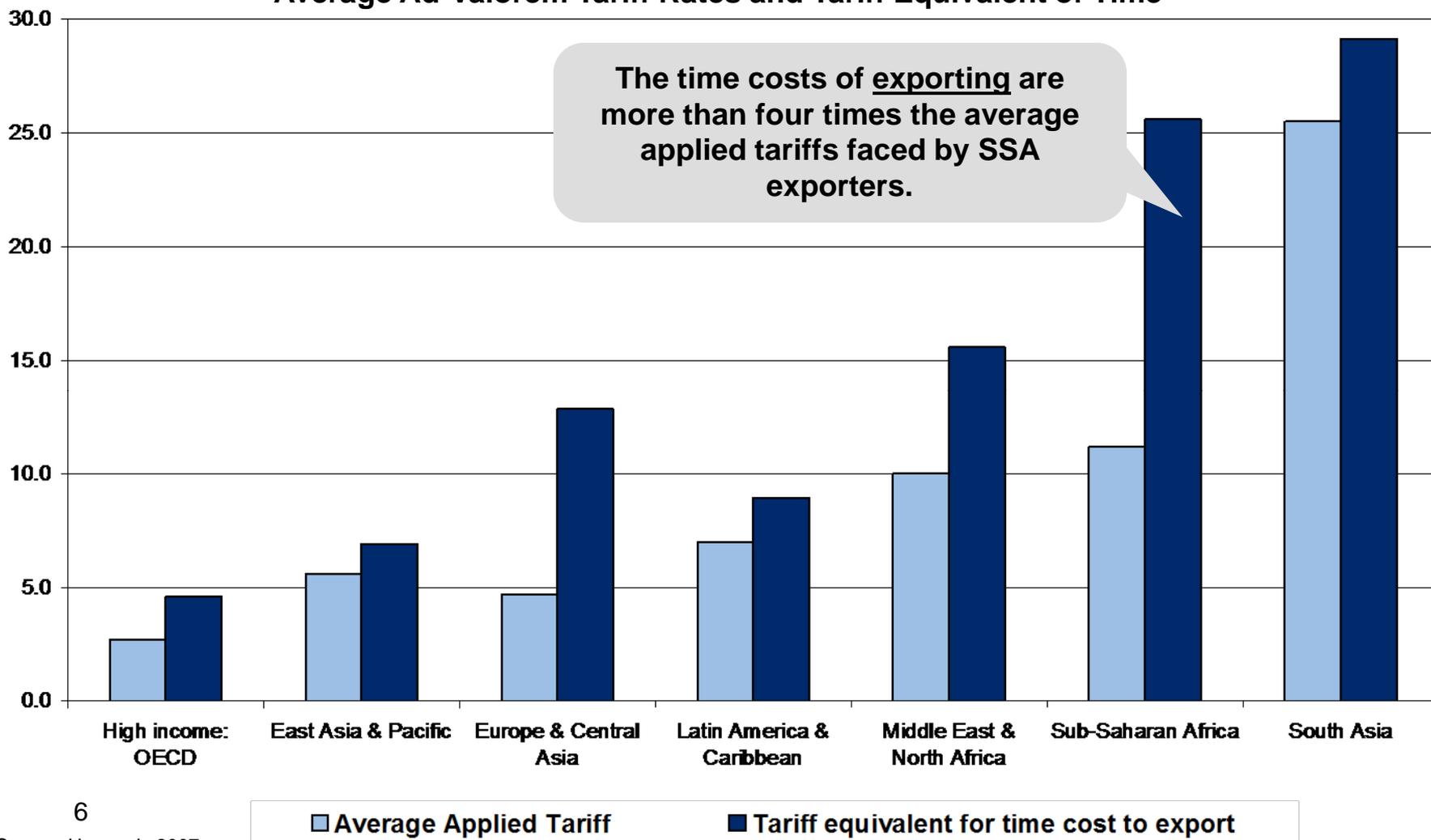


Time delays from inland transport, customs, and ports add the equivalent of a 5 % to 29 % tariff



# Average applied tariffs vs. time cost of crossing borders faced by exporters

Average Ad-Valorem Tariff Rates and Tariff Equivalent of Time





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## Incremental costs add up; impact:

- GDP
- Economic Growth
- Degree of formalization of the economy
- Government revenues (tariff collections)
- Export Competitiveness
- Ability to Compete for FDI
- Food Security
- Purchasing Power and Quality of Life





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## Key Areas of Trade Facilitation

- Customs Modernization
  - Transport and Logistics
  - Non-Tariff Barriers (e.g., SPS/TBT)
- 
- These areas assume varying levels of importance, depending on the geography, infrastructure, and relative sophistication of a particular region





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## The Need for Customs Reform and Modernization

- The Customs environment is always evolving and Customs administrations must meet new challenges:
  - Meet Government revenue targets
  - Facilitate the movement of legitimate goods and persons
  - Promote economic growth
  - Track the proliferation of preferential trade agreements
  - Secure the international supply chain
  - Deter and interdict cross border criminal activities
  - Implement laws, regulations and operating procedures
  - Adopt and learn new automation technologies
- Inadequate financial resources, infrastructure; untrained staff



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Efficient customs administrations are key drivers of socio-economic development and require adequate resources to modernize, both from government & donors





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## Customs Modernization Trends

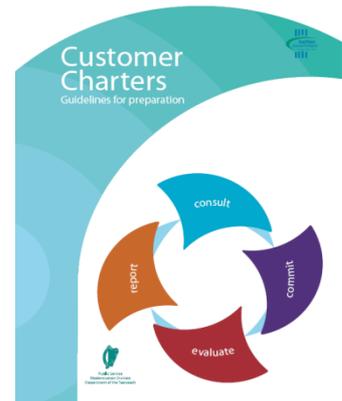
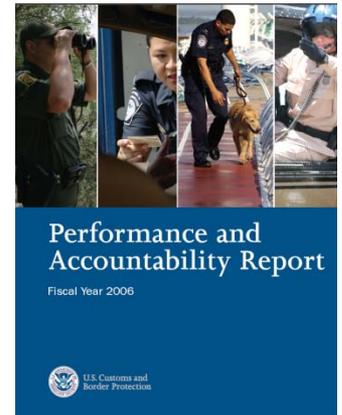
- Legal/Regulatory Reform
  - Revised Kyoto Convention Compliance
- Automation
  - Single Window
  - Integrated Border Management
- Customs Valuation
  - Post-clearance controls
- Risk Management
  - Cargo selectivity
- Integrity
- Institutional Reform
  - Compliance orientation
  - Private sector partnership
- Supply Chain Security
  - SAFE Framework
  - AEO Programs



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## Organizational Reform

- Improved Management Practices
  - Customs Vision and Mission Statement
  - Annual Reports
  - Modernized Organizational Structure
  - Change Management Skills
  - Code of Conduct and Disciplinary Procedures
  - Business Code of Ethics
  - Client Service Standards
  - Compliance Goals
  - Advanced Binding Rulings
  - Impartial Complaints and Appeals Systems
  - Internal Checks





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## Impact of Customs Reform and Modernization

- Reduced delays and costs to traders
- Improved compliance
- Better business practices
- Improved revenue collection
- Risk based utilization of resources
- Modern physical infrastructure
- Professional staff
- Timely and reliable trade statistics





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## Transit Corridors

- Facilitate regional economic growth, through provision of transport and logistics services along the corridor
- Physical dimensions
  - Ports, roads, rail, customs facilities)
- Functional
  - Connect economic centers, provide access to the sea for landlocked countries
  - 20 out of 54 low-income countries are landlocked, majority in Sub-Saharan Africa



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## Corridor Examples

- Sub-Saharan Africa
  - Northern and Central Corridors (East Africa)
  - Maputo and TKC Corridors (Southern Africa)
  - Lagos-Abidjan Corridor (West Africa)
- Southeast Asia
  - Greater Mekong Subregion (East-West Corridor)
- Central Asia
  - “Silk Road” (CAREC Countries)



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## Transport Services

- Transport services are at the heart of regional integration
- When transport systems are poorly integrated and inefficient, places a high cost premium on trade, travel and business
- Can impact national and regional trade competitiveness and ability to participate in the world economy



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## Improving Transport Corridor Efficiency

- Streamline and harmonize administrative procedures and regulations (e.g., customs, axle load requirements, etc)
- Encourage and attract investment for sustainable infrastructure improvements based on sound analysis
- Enable participation in international treaties/programs, e.g., WTO and TIR
- Support regional transport fora/governance
- Increase road safety
- Fight corrupt practices

