

TRADE FACILITATION

*“The harmonisation, simplification and automation of procedures for importers, exporters and Customs through the systematic rationalisation of controls and documentation for international traders and administrative agencies in order to facilitate the international trade transaction process
or more simply reducing the procedural barriers that get in the way of trading across borders”*

1. It is extremely difficult to estimate the actual size of the barriers that a trade facilitation agreement is designed to reduce. Estimates of the global average costs of compliance with present procedures range from 2% to 15% of the overall value of international trade. One widely quoted UNCTAD study estimates that all trade transactions costs amount to 7-10% of the total value of trade. Individual studies strongly suggest that the costs are higher for trade involving developing countries than for those involving just developed countries, and for SMEs compared to TNCs.
2. These costs can be seen as equivalent to tariffs. Unlike tariffs, they cannot be eliminated completely. But the evidence suggests a considerable difference between the most and least costly systems, implying the potential for considerable cost savings in some areas. It is certainly possible to argue that a trade facilitation agreement could deliver global benefits at least equivalent to those for the tariff negotiations.

The Development Perspective

3. Although we have no estimate of the barriers in each individual country, the evidence suggests that they are higher – perhaps considerably higher- in developing countries e.g. India. Landlocked developing countries may be particularly hard hit, as they also bear the costs of barriers in transit countries. Many of the world’s poorest countries are landlocked. As with tariffs therefore, the benefits should be proportionally greater for developing countries as barriers come down.
4. There are also benefits from trade facilitation over and above those from an equivalent tariff reduction: -
 - Inefficient border procedures can also raise the cost of a country’s exports.
 - Border delays make FDI (particularly in “just-in-time” processing) less attractive.
 - The government revenue loss for developing countries is less than for tariff reductions (and indeed increased imports from trade facilitation may well raise customs revenues).

The UK plc interest

5. The UK is regarded as having efficient procedures itself. Its interest is therefore in securing lower barriers in other countries. The effects on the UK would be as for a reduction in tariffs.
6. Because border procedures weigh more heavily on small than large exporters, the benefits of trade facilitation should be stronger for UK SMEs.