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TRADE FACILITATION

Technical Assistance and Capacity Building in Relation To Trade Facilitation

The following communication, dated 23 October 2000, has been received from the Permanent Mission of the European Communities.

1. Introduction

In earlier discussions, the EC and other Members have recognised that an integral outcome of any future WTO agreement to simplify trade procedures should be steps to build capacity in developing countries. Several developing countries have also emphasised that it will be easier to assume new commitments to simplify procedures if there is the prospect of such support¹. Against this background, the present submission highlights some of the issues concerning technical assistance and capacity building that could be kept in mind in future discussion. This submission is not pretending to break new policy ground on this issue, but merely to focus debate on an important aspect of our work on trade facilitation.

2. The Need For Technical Assistance

Adherence to future rules on simplified trade procedures will require not just a political commitment or the removal of out of date requirements, but for some developing countries may imply capacity building and thus resources. Any future WTO agreement should address this squarely. Our experience in implementing the Uruguay Round agreements shows the practical difficulties if one undertakes WTO commitments, however desirable in themselves, if the means are lacking to implement them. The same experience also shows that it is not always enough to establish commitments but then confine assistance only to training officials to understand what they mean. Assistance should not be an afterthought but be designed before the end of the negotiation process and delivered once an agreement is in place.

The need for capacity building assistance is certainly relevant to trade facilitation as implementation of such rules may require: modification of regulations; training of officials in modern trade management and customs techniques; automation of systems; participation in international standards setting, and possibly measures to improve port management and cargo handling. Any improvements introduced also need longer term maintenance and follow up so that they become permanently rooted. In some cases they will be part of wider efforts to improve administrative efficiency or build up capacity to trade. These needs are particularly acute in the case of least developed countries.

¹ See for example the EU submission "Trade Facilitation in Relation To Development" (G/C/W/143 of 10.3.99) and the 1999 Status Report on Trade Facilitation adopted by the Council on Trade in Goods (G/L/333 of 18.10.99).

3. The Relationship Between Rules and Technical Assistance

If the assumption of commitments depends in part on availability of assistance to implement them, then the reverse is equally true: the availability and extent of assistance provided will in part depend on the existence of a framework of rules. This is because commitments in WTO will

- secure the political commitment of each Member to carry out, as a priority, the necessary measures of reform. Experience suggests that more effective efforts to secure commitment at the political level is essential in order to support implementing agencies endeavouring to simplify procedures, or in some cases to overcome bureaucratic resistance from below to simplification efforts. It is also our experience that governments take a more serious attitude to technical assistance if it is to ensure compliance with rules.
- provide greater guarantees to bilateral and multilateral donors that assistance will be put to good use. Our consultations with the private sector also suggest that they would have more confidence to invest and provide resources to build capacity if Members agree to apply a set of rules. In other words, a significant push factor for many governments, institutions and private operators to provide assistance is likely to be the decision to negotiate a framework of rules.
- constitute in themselves a set of clearly defined goals and objectives to which assistance can be targeted, in terms of common commitments for all Members, globally harmonised standards, and clear performance benchmarks and timeframes.

Finally, it would be desirable that in any future effort to design rules on trade facilitation, capacity constraints of Members should be taken into account when framing such rules.

4. The Need for More Transparency and Better Coordination of Technical Assistance To Build Capacity

We noted in a previous submission² that there is already a good deal of technical assistance for trade facilitation provided bilaterally and multilaterally. However, existing programmes, as well as not being sufficient in overall quantity, have the following limitations:

- 1) they are often individual programmes aimed at addressing only specific parts of what needs to be conceived of as a whole set of interdependent tools and procedures relating to different stages of the trade transaction. Such narrow programmes carried out in isolation rather than in a holistic framework tend to have limited benefits in the long term. Some assistance programmes also get priorities or sequencing wrong eg concentrating on provision of sophisticated hardware or software when more basic administrative reform is needed first.
- 2) there is a degree of overlap and limited sharing of information, let alone coordination between different programmes, for a variety of reasons. This means wasted resources and failure to achieve possible economies of scale: this is sub-optimal for both donors and recipients. Even within the EU it is not easy to obtain a clear picture of the totality of Community and Member States' technical assistance programmes relating to trade facilitation.
- 3) In the absence of globally applied standards and rules as the basis on which to simplify trade procedures, there are no common benchmarks to which different donors and agencies can target their efforts. As a result, there is a risk of different assistance providers in different

² G/C/W/143

countries supplying divergent methodologies and tools. This can result in inefficiencies or trade barriers between countries and regions being maintained, rather than reduced. This is particularly a risk in the field of data, documentation and automation where international traders need simple and compatible procedures that will allow single integrated transactions to take place worldwide, not a plethora of competing rules or standards in different markets. In many cases the standards or instruments may exist (eg those of the UN), but are not sufficiently applied. The goal of simplification will remain elusive unless capacity building and assistance is tied to a common framework of rules and standards.

5. WTO's Contribution to Enhanced Technical Assistance and Capacity Building in Trade Facilitation

Within a framework of rules on trade facilitation, the WTO can help to promote a more substantial, transparent and better coordinated approach to technical assistance. WTO's role should be undertaken however in cooperation with other international organisations, bilateral donors and the private sector, and should complement WTO's primary function which should remain that of establishing a framework of rights and obligations. Indeed in the absence of a decision to develop a set of trade facilitation rules in the WTO it would be difficult to justify a role for WTO in technical assistance which goes beyond what it does at present.

A more coherent approach to technical assistance does not however have to wait until only after the conclusion of any agreement on trade facilitation. Given the nature of the assistance needed, it would be more practical to start addressing capacity building during the negotiation process, so that once an agreement is in place assistance can be made quickly operational. Indeed in some cases there may be a need for early support to help particular Members participate in the negotiation process itself, so that they have a bigger say in the definition of the rules.

In practical terms the development of a coordinated and enhanced approach to assistance could take account of the following elements:

- a) identification of the major capacity building needs by reference to the framework of rules agreed or under development in the WTO (eg support for streamlining data and documentation; training of officials in modern customs techniques; systems design and automation). Agreement should be reached on the principle of an integrated approach to such assistance, which will ensure coherent, timely, properly sequenced and continuous support to developing economies engaged in simplifying trade procedures.
- b) a clear undertaking by developed Members to support capacity building in the area of trade facilitation and by all Members both to implement the commitments made and to mainstream such assistance into their development programmes. (Within the EU such bilateral assistance would normally be introduced into its country strategy programmes, which are the framework for identifying and providing bilateral programmes).
- c) it would also be of key importance to have a similar commitment to capacity building by the multilateral agencies, although this may have to be done through an alternative mechanism since they are obviously not WTO members.

Based on the above, there could then be development within the framework of WTO of a work programme for coordinating technical assistance to implement agreed provisions on Trade Facilitation. Key elements of this would include:

- ***Sharing of information*** on ongoing technical assistance for trade facilitation (domestic efforts, bilateral donor assistance, regional activities, private sector participation, and assistance from international institutions).
- ***Demand driven needs assessments***: identification by the developing country of its technical assistance needs in order to implement the Agreement. This needs' assessment – which should begin once the commitments in the negotiations have been defined - would provide the basis for a dialogue with all partners in order to help identify future programmes for the country in question, taking account of the specific situation of the country, the level and nature of ongoing or past assistance, the desirability or scope for programming at the regional level - taking account of regional economic organisations that are developing a common trade régime - and the way in which each provider determines its programmes. The more acute needs of least developed countries should be fully taken in account.
- ***Provision of assistance*** on the basis of the request made by recipients. This should take the form of a more coordinated response by relevant multilateral and bilateral donors according to their areas of expertise and their own programme plans. This may include, in addition to WTO, the World Bank, IMF, UNCTAD, ITC, UNDP, UN CEFAC and the WCO in addition to bilateral and regional assistance. We should also consider ways to involve bodies such as Chambers of Commerce or other industry and business federations ready to contribute, as well as those PSI companies currently operating import and export administration on behalf of national authorities³. One issue for consideration here would also be the desirability or otherwise of there being a “lead” agency in a particular area of activity. Another is the extent to which specific programmes in the field of trade facilitation should constitute a component of a more integrated approach to capacity building involving other areas of WTO activity such as TBT, SPS, TRIPs or other trade related areas, as is the case with the Integrated Framework for least developed countries, or the Joint Integrated Technical Assistance Programme for certain lldc's and other African countries operated by WTO/UNCTAD/ITC.
- ***Monitoring and evaluation***: the appropriate body in WTO should receive regular information on the evolution of programmes and be in a position to monitor overall progress achieved and evaluate the effectiveness of such programmes.

If the provision of programmes is discussed and carried out in full transparency in the manner outlined above, this should avoid the risk of duplication or gaps in assistance and maximise the value of each intervention. This will allow the recipient country to implement more quickly and effectively the agreed commitments in the WTO.

6. Proposal For Early Action

Even in advance of any decision to negotiate commitments on trade facilitation, it would be worthwhile already to have an initial exchange of views amongst relevant parties – both donors and recipients –on the role of technical) assistance and capacity building in this field. This would help us to put together a picture of which organisations are doing what, their areas of expertise, the way in which programmes are identified and agreed, the nature and extent of past and current programmes, and the lessons learned or mistakes made. Such information will be a valuable basis on which to identify clearly the roles and complementarities of different actors, and subsequently draw up a more cooperative and coordinated approach in the future.

³ For this to work properly it is necessary that present and future PSI contracts include explicit and binding requirements to provide technical assistance and transfer of expertise.

The EU therefore suggests that, as a first step, the WTO could arrange an informal workshop of key donor organisations and recipient countries in order to share basic information and exchange experience on technical assistance in the area of trade facilitation, from both the donor and user standpoint. This would help in understanding the issues. Such a meeting could follow the format of the 1998 trade facilitation symposium or alternatively the that of the recent workshop on technical assistance in the area of TBT.
