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New ECIPE study:

Trade Facilitation: The Role of a WTO Agreement

Trade facilitation negotiations have been one of the more active topics in the Doha negotiations. In this paper noted trade scholar J. Michael Finger reviews and evaluates the various tabled proposals and discusses whether a WTO agreement would benefit the process of reform and capacity-building in developing countries – or rather interfere in a process that is already moving forward. Dr. Finger refutes the idea of creating legal obligations to financially assist trade facilitation and concludes that a plurilateral agreement under the WTO umbrella would be better than the current order.

The trade facilitation negotiations started in 1996 at the Singapore Ministerial Conference in response to the general concern that many countries have not been able to use the trading system as an effective vehicle for development. Trade facilitation does not only benefit importers and consumers, but exporters as well. Tabled proposals in the Doha Round concern improved performance standards and the negotiations have separated into two groups: specifics of obligations (e.g., to publish all regulations, to introduce and apply risk management techniques) and managing financial assistance to developing countries (how the WTO might be involved, possibly to introduce an obligation on developed members to provide assistance to developing members).

In the area of trade facilitation there is complete agreement to the usefulness of reforms. No country disputes the virtues of trade facilitation as a vehicle for development. There is also tested knowledge as to what works, in developing countries as well as in developed. A number of international agreements and conventions identify practices that have proven effective and offer guidelines for putting such measures in place. International agencies such as the World Customs Organization and the UNCTAD provide pools of expertise, and border agencies of many WTO Members – developing as well as developed – often provide assistance to other members. Today many developing countries have in place active programmes to improve trade facilitation – often financed from their own resources, and with contributions from their own businesses. And taking account of all the resources spent by governments, one can raise hesitations about the strong WTO focus on issues of financial assistance.

-- A point often overlooked is the considerable improvement in trade facilities that is ongoing, in developing countries as well as developed. As to support from the international community, the OECD /WTO data base reports some \$3 billion/year to improve developing country business performance and (governmental) trade policy management, another \$10 billion to \$12 billion/year for infrastructure that will have a positive impact on trade performance. Given this, one might ask if WTO delegates' concern for a WTO role in trade-related assistance reflects a genuine concern to help or a yen to get in on an ongoing success – or lack of knowledge of what is really going on, says J. Michael Finger.

It is high time to think about ways to advance trade facilitation outside the Doha context. The seriousness of trade facilitations could be compromised if it is a part of the Doha single undertaking. The pace and delay (and perhaps ultimately failure) of the other negotiations in the Doha round would reduce or eliminate the benefits of a trade facilitation agreement.

A trade facilitation agreement incorporated on-its-own into the WTO – not part of a Doha Work Programme package – should be considered. Otherwise self-assessments would be conducted and assistance negotiated during the completion of the mercantilist market access negotiations. Trade facilitation assistance would lose its win-win character and become a pay-off or compensation for market access. The international community should consider a plurilateral agreement under the WTO umbrella. Such an approach would allow the timing of any developing Member's accession and acceptance of its standards to be accommodated to the circumstances and pace of its own development.

-- The record shows that commercial interests in donor and in beneficiary countries are sufficient to motivate both the reforms and the assistance. The WTO can contribute to the reforms making economic sense, it is not needed to motivate the reforms or the assistance, says J. Michael Finger.

Negotiating attention should now be on identifying a specification of trade facilitation standards supporting development. For WTO developing members, the critical factor in deciding the content of a WTO agreement on trade facilitation would be the agreement's role in helping their own governments and commercial stakeholders to manage the installation and operation of efficient border processes.

-- Be explicit that the objective is development and poverty reduction in poorer countries. A role for the WTO is a matter of possible means, not of objective. But focus on actual, real projects – on the field and not in Geneva, says J. Michael Finger.

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The paper can be downloaded at www.ecipe.org