

The importance of adopting the WTO Trade Facilitation Agreement for Logistics
Presentation by HOM Colombo to Colombo International Logistics Conference
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Thank for welcome

Want to provide:

- Scene setter as to why trade facilitation is important
- Where the WTO Agreement on Trade Facilitation or TFA is up to
- Role of development assistance in achieving the goals of the TFA
- Observations about Sri Lanka and trade facilitation.

Introduction

- . We all know that unnecessary procedures and burdensome trade regulations hinder the flow of goods.
 - Time and resources spent complying with procedures and regulations can sometimes be bigger impediments to trade than tariffs.
- . The promise of new technologies, like blockchain, will be hindered if gains in trade facilitation are not made.
- . The term “trade facilitation” refers to the simplification, modernisation and harmonisation of export and import processes
 - We focus on it to improve speed and efficiency of border procedures and lower the costs of cross-border trade.
- . It is about government changing the regulatory and policy environment
- . Multilaterally, trade facilitation is being progressed through implementation of the World Trade Organization (WTO) Trade Facilitation Agreement (TFA), which came into force on 22 February 2017
 - countries can also can pursue trade facilitation in bilateral and regional trade agreements
 - : and can take unilateral trade facilitation measures.

Why trade facilitation is important

- . The TFA will bring major benefits to the global trading system.
- . The OECD has estimated that the full implementation of the TFA would reduce the costs of trading goods significantly:
 - costs reduced 14.1 per cent for low income countries;

- costs reduced 15.1 per cent for lower middle income countries; and
- costs reduced 12.9 per cent for upper middle income countries.
- . The OECD has also estimated that up to US\$40 billion could be added to the world GDP for every 1 per cent reduction in global trade costs
 - 65 per cent of the benefits accruing to developing countries.
- . So, there are significant gains to be made from trade facilitation
 - however, the full benefit will be realised only if all 164 WTO Members join and implement the TFA
 - currently [23 July 2019] 145 Members have ratified
 - : to date [23 July 2019], 62.5 per cent of provisions have been implemented.

Australia's experience with the TFA

- . Australia was a strong supporter of TFA negotiations
 - and one of the earlier countries to ratify the TFA [on 9 June 2015].
- . Since entry into force of the TFA, Australia has continued to play a positive role in the implementation of the TFA
 - including through active participation in the WTO's Trade Facilitation Committee.

WTO Trade Facilitation Committee

- . The Committee on Trade Facilitation provides a forum for Members to consult on the operation of the TFA and the furtherance of its objectives.
- . The Trade Facilitation Committee has developed into a useful forum
 - Particularly to monitor the implementation of the TFA, and for Members to share experiences in implementing specific provisions of the Agreement
 - at the June 2019 meeting of the Committee, Sri Lanka presented on its experience in establishing its National Trade Facilitation Committee
 - Australia presented on its experiences with advance rulings at the February 2019 meeting of the Committee
 - : other Members to share their experiences at these meetings included Costa Rica, the European Union, Japan, Pakistan, Thailand, Togo and the United States.

- . It is useful for the Trade Facilitation Committee to hear from a range of Members and to learn from others' experiences in implementing the Agreement
 - I would encourage any government officials of countries that have yet to present, to consider what you could contribute to experience sharing in the Committee.

Development assistance is making a difference

- . For developing countries the TFA is making a difference
 - the joint WTO-OECD publication Aid for Trade at a Glance, which was released at the 2019 Global Aid for Trade Review in July, noted that:
 - : developing countries' level of alignment to the TFA is increasing
 - : with notable improvements in publication of measures, automation and streamlining of procedures, and engagement with the trade community
 - : It also noted the positive impacts from these aid-supported reforms, including
 - : reduction in customs physical inspections, elimination of unnecessary documents, automation of manual processing steps, and consequent reduction of clearance times.
- . All of this work makes trade cheaper, faster, more efficient
 - It also makes trade more inclusive for disadvantaged groups who want to trade, such as women and micro, small and medium enterprises.

Australia's development assistance for global TFA implementation

- . Australia is a strong supporter of developing countries participating in the global trade. We are a strong advocate of Aid for Trade
 - Australia is assisting developing countries to implement the TFA, and to undertake the necessary reforms to facilitate trade
 - this also helps developing countries to maximise the benefits of trade and the multilateral trading system.
- . Australia is one of 9 donors to the World Bank Trade Facilitation Support Program (TFSP), providing \$9.8 million to assist developing countries to align their trade practices to the TFA
 - in Sri Lanka, TFSP support has aided in the development of the National Trade Facilitation Committee (NTFC), supported by a full-time secretariat housed in Sri Lanka Customs

- the TFSP work also complements bilateral funding from Australia for implementation of priority trade facilitation reforms
 - : including the development of a trade information portal and national single window blueprint
- . Australia is also one of six donors to the Global Alliance for Trade Facilitation, a collaboration of international organisations, governments and businesses to help developing countries implement the TFA

Observations about Sri Lanka and the TFA

- . Sri Lanka is ahead of this schedule: it has implemented 57.1% of TFA provisions to date against its commitment to implement 30.7% of the TFA provisions by December 2019
- . Important that these gains are enshrined to avoid back-tracking. The National Export Strategy, complemented by the National Port Master Plan, will assist with this process, and provide a solid foundation for Sri Lanka to meet its TFA commitments.
- . National Port Master Plan includes a strong vision statement to make Sri Lanka a **hub** for transshipment and logistics. Again, trade facilitation will play an important part in achieving this vision. I would like to make three points in this regard, before concluding:
 - A hub needs clients. It goes almost without saying, but it is an important point
 - : the success of a hub is determined by the participation of feeder and destination countries
 - : clients will be taking into account the costs and time from transshipment and logistics services.
 - : Ongoing improvements in trade facilitation are key to this.
 - A hub also needs comparative advantage
 - : other countries are also implementing the TFA.
 - : That is, cost and time gains through trade facilitation are relative.
 - : Governments need to keep a weather-eye on how to maintain a competitive edge.
 - : Those governments that have the courage to undertake far-reaching fundamental reforms will maintain their competitive advantage.

- : In Sri Lanka's case, there is need to consider reform beyond the new infrastructure projects – such as the East Terminal at Colombo Port.
 - : For example, the recent establishment of the Trade and Productivity Commission will identify sectors and impediments requiring government attention for reform.
 - : Also, while not often employed, every Sri Lankan Shipping Minister in modern times has also had the power to establish rules of competition for shipping services. Use of this power should be considered.
- Finally, a hub needs unique features and specialisations.
 - : To provide an example of what I mean by this, let me turn to the The Global Alliance for Trade Facilitation.
 - : The Alliance has had found that expanding multi-country consolidation (MCC) can help increase Sri Lanka's competitiveness.
 - : The value addition from consolidating less-than-container load cargos from different origins, could provide Sri Lanka with a new value-added logistics activity
 - : enabling a cluster of third-party logistics services providers (such as supply chain management, finance, legal, insurance, and consulting services).