

## **Trade Facilitation as the driving force behind Business in the Greater Caribbean**



### Trade Facilitation as the driving force behind Business in the Greater Caribbean

Trade Facilitation is a term which, when read, could lead us to believe that it involves only the State, in its role as the facilitator of business, but the truth is that there are other actors involved, who are also crucial in the process, such as the private sector (producer/exporter or importer), in addition to other non-customs entities. The topic of trade facilitation is one that has been incorporated into the negotiations of the World Trade Organisation (WTO), since the Singapore Ministerial Conference (1996) up to the present. In 2004, Member States benefited from the international technical assistance offered thus far, for the purpose of adjusting their internal processes.

Trade Facilitation can be defined, strictly speaking, as the actions geared toward the efficient movement of goods through ports and the documentation associated with international trade. In a broader sense, it can be said that Trade Facilitation covers the entire environment in which trade takes place, thus, other elements are included such as transparency of customs, environmental regulations and the harmonisation of regulatory standards.

At the international level, each organisation has its own definition:

World Trade Organisation (WTO) and the United Nations Conference on Trade and Development (UNCTAD): "Simplification and harmonisation of international trade procedures, including activities, practices, and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade".

United Nations - Economic Commission for Europe (UN/ECE): "Comprehensive and integrated approach to reducing the complexity and cost of the trade transactions process, and ensuring that all these activities can take place in an efficient, transparent, and predictable manner, based on internationally accepted norms, standards and best practices".

Asia-Pacific Economic Co-operation (APEC): "Trade Facilitation generally refers to the simplification, harmonisation, use of new technologies and other measures to address procedural and administrative impediments to trade which will help members to build up expertise, reduce costs and lead to better movement of goods and services".

From all accounts there is general consensus that there is involvement from border elements (port efficiency and customs) as well as internal elements within the country (environmental regulations and infrastructure for use in electronic trade); therein lies its fundamental complexity: the multiplicity of actors.

It is for this reason, when seeking to control or regulate at the global level, it becomes so complex and at times complicated, since we must take into account not only the international trade regulations, but also the internal trade management processes implemented by the customs administration in each country.

The need to work at the international level on simplifying trade processes finds its origin in the persistence of obstacles to trade, which serve to increase transaction costs. The experience of export companies indicates that delays and bureaucratic hindrances when entering a product into another market can be barriers that are much more restrictive than the tariff itself. Therefore, without trade facilitation measures it is difficult to take full advantage of the opening up of markets and the tariff reductions that are negotiated at the global level.

According to Studies conducted for the WTO by Rubiato Elizalde (2005), it can be determined that, on average, in each trade transaction there are between 27 and 30 participants, 40 documents are required with more than 200 pieces of information, of which between 60% and 70% must be repeated. Considering the entire operation, it consumes between 6% and 15% of the value of the product and 40% of the time of the transaction. In studies conducted for the countries of the Asia-Pacific Economic Co-operation (APEC), it has been proven that the Trade Facilitation measures carried out account for 21% of intra-APEC trade growth.

The World Custom Organization (WCO) indicates that "trade facilitation initiatives benefit both the business community and governments. The business community benefits by obtaining enhanced competitiveness in national and international markets due to reduction in delays and costs which are achieved with predictable and efficient movement of goods across borders. While national administrations are able to utilize modern procedures to enhance controls, ensure proper collection of revenues due and at the same time contribute to the economic development through increased trade and encouragement of foreign investment."

Trade facilitation energizes the flow of goods and stimulates economic dynamism and wellbeing. It therefore improves the cost efficiency of doing business. An inefficient, constrained flow of goods creates a stagnant economy and poor economic performance.

Trade facilitation would benefit all economies because it ultimately attracts Foreign Direct Investment

Businesses will make substantial gains through trade facilitation. Trade facilitation promotes greater transparency, more consistent and simplified procedures, whilst also lowering transaction costs and

reducing clearance times.

For government, trade facilitation enables improved collection of customs revenue; through the effective implementation of modern risk management techniques it also improves supply chain security and enables limited resource to be focused on high-risk transactions.

At the level of the Greater Caribbean, we can say that the issue of Trade Facilitation finds itself in the same situation as other integration blocs (Andean Community and the Central American Common Market), where it has not been a specific part of the negotiations for opening up markets, and where there are still questions pending and work to be done towards the creation of a more fluid and efficient trade facilitation processes .

Mindful of the situation presented, the Association of Caribbean States (ACS), on September 4 of this year, convened the II Meeting of the Working Group on Trade Facilitation, with participation from most of the countries that constitute its membership. On that occasion, the participants in the Working Group heard and analysed the current situation of Trade Facilitation in the Region with expert input provided by the international consultant Margarita Lobby and United Nations Centre for Trade and Development Officials. Greater insight was also provided on the model that has been used by UNCTAD for several years, at the global level, with the implementation of the ASYCUDA World programme.

During this exercise, the participating countries were pleasantly surprised by the advancements being made by UNCTAD in this regard, with the ASYCUDA Programme already being incorporated by 18 of the 28 countries that make up the Greater Caribbean. Fortunately, this novel information technology tool comes to improve the efficiency and effectiveness of the process, speeding up the procedure for clearing customs, through a simplified system that simultaneously minimises the administrative costs required. It also meets the international standards established by the organisations and agencies involved in the matter.

Thus, the ACS, in conjunction with other regional organisations like the OECS, places at the disposal of the States that constitute the Greater Caribbean, technical assistance from UNCTAD, as a concrete solution to the abovementioned problem and encourages Member States to advance the incorporation of this regional facilitation mechanism, with a view to increasing our intra-Caribbean trade.

Alberto Durán Espailat is the Director of Trade Development and External Economic Relations of the Association of Caribbean States (ACS). Any correspondence or feedback can be sent to [feedback@acs-aec.org](mailto:feedback@acs-aec.org)