



Trade Facilitation Agreement (TFA) Q&A

Linda Schmid,ⁱ May 5, 2017

The WTO's Trade Facilitation Agreement entered into force in February 2017. The Agreement contains groundbreaking trade capacity building provisions to help developing countries acquire technical assistance to implement provisions of the agreement.

Q1. What is the Trade Facilitation Agreement?

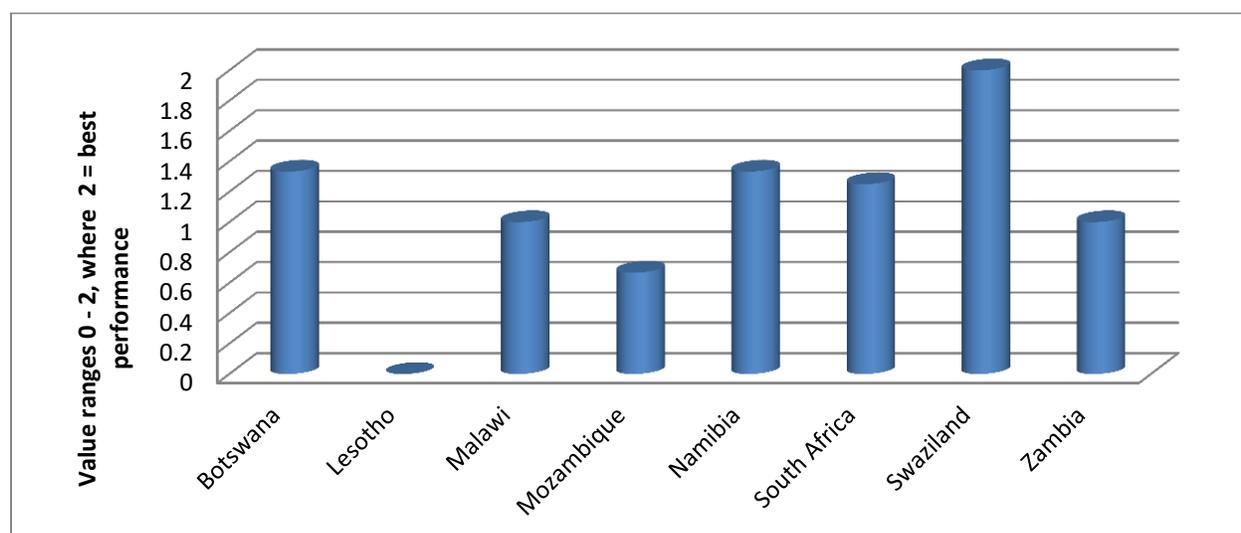
A1. Members of the World Trade Organization (WTO) negotiated the 2014 Trade Facilitation Agreement (TFA) to expedite “the movement, release and clearance of goods, including goods in transit.”¹ This is important to landlocked developing countries, which face excessive trade costs due to antiquated and opaque customs systems. The TFA contains 24 Articles focusing on the operations of border agencies. In addition to provisions that prompt customs authorities to operate in a transparent manner, the TFA emphasizes methods to make customs authorities more efficient. For example, the TFA urges Members to, “measure and publish their average release time of goods,” and maintain a risk management system for customs control. The Agreement encourages Members to maintain a “single window” for traders to submit documents and data for import, export, or the transit of goods. The TFA addresses trade community consultation, processing procedures, and advance rulings.

Q2. Why does the TFA support deeper engagement with the trade community?

A2. Establishing regular communication with the trade community can create greater procedural transparency and help alleviate delays at the border. Under Article 2, the TFA urges Members to provide an opportunity for traders and interested parties to comment on new rules and regulations before they are finalized. This will enable border authorities to make more informed decisions. The Agreement also suggests border agencies conduct regular consultations with traders and trade stakeholders on export, import, and transit issues to improve effectiveness and efficiency. With the advent of mobile communications, border agencies can easily employ mobile applications to coordinate consultations, distribute new rules and regulations, and accept questions and comments. Figure 1 illustrates the range of engagement with the trade community in Sub-Saharan Africa.

¹ World Trade Organization, Agreement on Trade Facilitation, July 2014 (WT/L/940), <http://www.wto.org>.

Figure 1: Involvement of the Trade Community, 2015



Source: OECD Trade Facilitation Indicators, <http://www.oecd.org>

Q3. Which TFA measures lower trade costs for low income economies?

A3. Certain TFA measures are particularly valuable in reducing trade costs for low income economies. For example, simplification of trade documents and acceptance of copies rather than original documentation, lower trade costs.² In addition, shifting from paper to electronic exchange of data and automated border procedures trim clearance times. TFA provisions that prompt Members to update procedures and conduct post-clearance audits also reduce delays while maintaining customs control. The TFA also limits “Fees and charges for customs processing...to the approximate cost of the services rendered,”³ which reduces the opportunity for graft. To improve efficiency, the TFA promotes the use of “authorized operators” systems for traders with a good record of compliance with customs. Low income economies can gradually adopt customs procedures that accelerate clearance times while maintaining customs control.

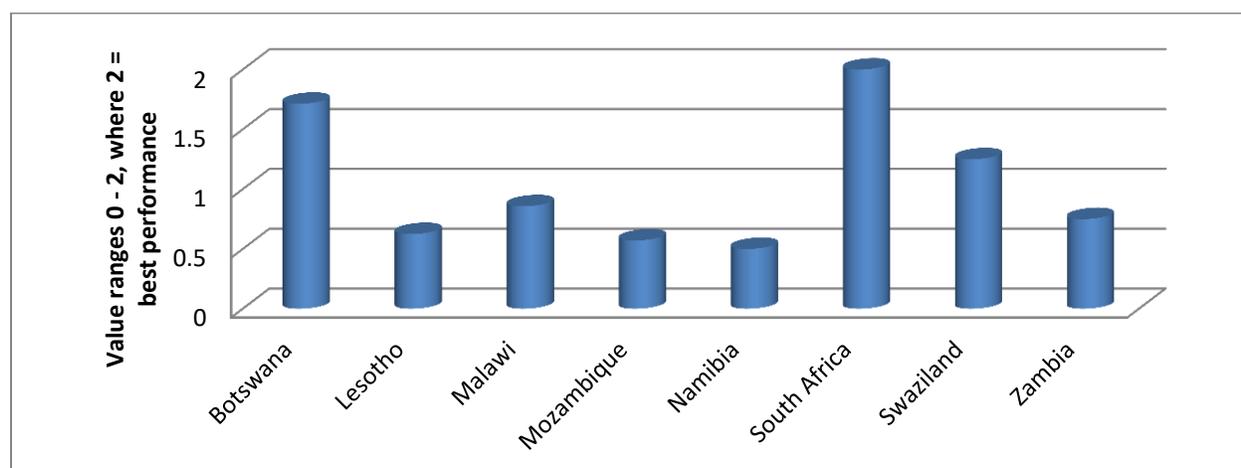
Q4. How does the TFA strengthen border agencies?

A4. A critical aspect of lowering trade costs is improving the governance and impartiality of border agencies and eliminating opportunities for graft. Figure 2 measures the performance of sub-Saharan African countries on governance and impartiality. Implementation of the TFA will improve impartiality, non-discrimination, and transparency at the border.

² Organization for Economic Cooperation and Development, Trade Facilitation Indicators Country Note-Malawi, 2015, <http://www.oecd.org>

³ World Trade Organization, Agreement on Trade Facilitation, July 2014 (WT/L/940), <http://www.wto.org>.

Figure 2: Governance & Impartiality



Source: OECD Trade Facilitation Indicators, <http://www.oecd.org>

Q5. How are developing countries treated under the TFA?

A5. The TFA contains a special and differential treatment section for developing countries. For example, developing country members have a greater period of time to implement TFA provisions. TFA implementation should start with provisions that most effectively improve governance, transparency, and reduce clearance times. This would include provisions on information availability, simplification of trade documents, and electronic data interchange. Once these are in place, authorities should work on the ability to provide advance rulings. These efforts will ease transit times and lower costs to traders.

Q6. What criteria indicate the political will necessary to implement the TFA?

A6. Political will is needed to upgrade hard and soft infrastructure, train human resources, and overcome inertia at border agencies. Certain criteria indicate a national commitment to implement trade facilitation measures. For example, if a country has accepted the TFA under the WTO. Another positive indicator is if a country has set up a functioning National Committee on Trade Facilitation as prescribed in Article 23. An assessment of basic unilateral reforms in transparency, document simplification, and engagement of the trade community can also indicate if political will exists for implementation. The TFA presents a valuable framework to facilitate trade while strengthening customs compliance for growth and regional integration.

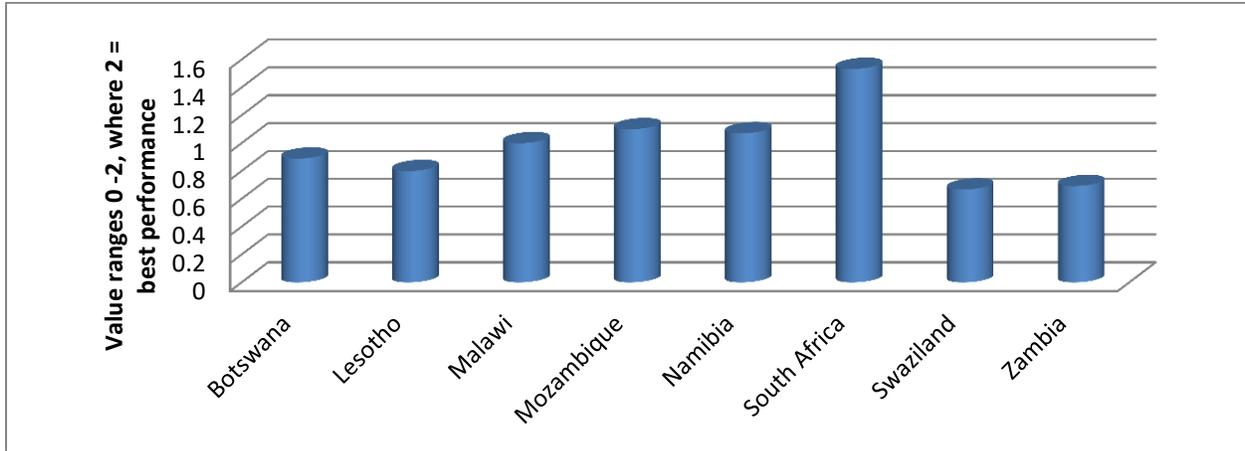
Q7. How does the TFA improve the sequence of customs procedures?

A7. The TFA has important provisions on the release and clearance of goods. For example, Members agree to maintain procedures that facilitate electronic document processing before arrival of goods at the border. Members also agree to release goods before “the final determination of customs duties, taxes, fees, and charges.”⁴ Adopting and implementing such

⁴ World Trade Organization, Agreement on Trade Facilitation, July 2014 (WT/L/940), <http://www.wto.org>.

procedures will speed transit times and reduce costly delays at the border. Figure 3 illustrates that Sub-Saharan African countries are at different levels of performance on customs procedures.

Figure 3: Customs Procedures

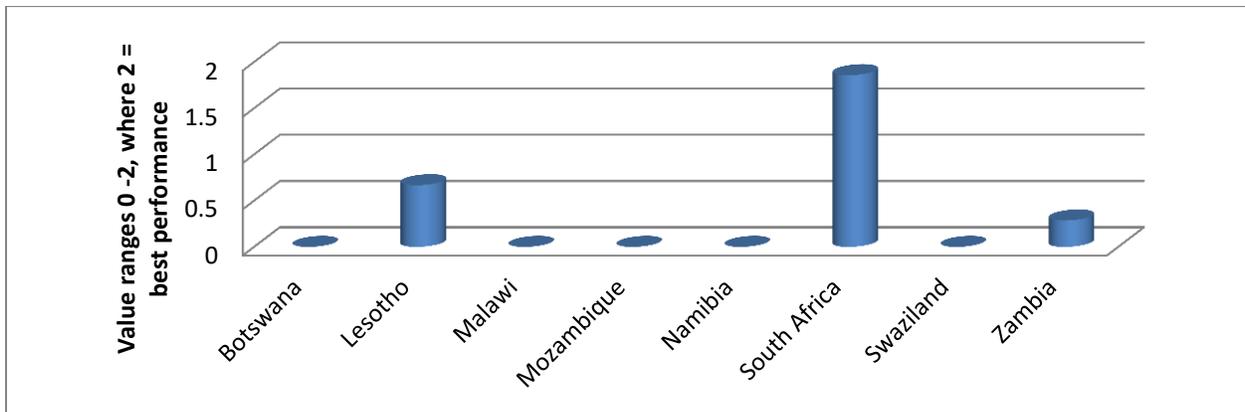


Source: OECD Trade Facilitation Indicators, <http://www.oecd.org>

Q8. Why does the TFA propel border authorities to adopt advance rulings?

A8. Border authorities often provide written decisions or advance rulings on the tariff classification and origin of goods prior to import. Traders around the world rely on advance rulings to provide certainty and confidence in the treatment of imports, exports, and transit goods. Under Article 3, Members are to issue advance rulings in a “reasonable, time bound manner.” Figure 4 indicates the need to build capacity in advance rulings in Sub-Saharan Africa.

Figure 4: Advance Rulings, 2015



Source: OECD Trade Facilitation Indicators, <http://www.oecd.org>

A list of WTO members that have accepted the Trade Facilitation Agreement as of May 5, 2017 follows.

WTO Members' TFA Ratifications as of May 5, 2017:

Afghanistan,
Albania,
Australia,
Bahrain,
Bangladesh,
Belize,
Botswana,
Brazil,
Brunei Darussalam,
Bulgaria,
Cambodia,
Canada,
Chad,
Chile,
China,
Côte d'Ivoire,
Dominica,
Dominican Republic,
El Salvador,
European Union,
Gabon,
Georgia,
Ghana,
Grenada,
Guatemala,
Guyana,
Honduras,
Hong Kong China,
Iceland,
India,
Jamaica,
Japan,
Jordan,
Kazakhstan
Kenya,
Korea, Republic of,
Kyrgyz Republic,
Lao PDR,
Lesotho,
Liechtenstein,
Macao, China,
Macedonia,
Madagascar,
Malaysia,
Mali,
Mauritius,
Mexico,
Moldova, Republic of
Mongolia,
Montenegro,
Mozambique,
Myanmar,
Nepal,
New Zealand,
Nicaragua,
Niger,
Nigeria,
Norway,
Oman,
Pakistan,
Panama,
Paraguay,
Peru,
Philippines,
Russian Federation,
Rwanda,
Saint Kitts and Nevis,
Saint Lucia,
Saint Vincent & the
Grenadines
Samoa,
Saudi Arabia,
Senegal
Seychelles,
Sierra Leone,
Singapore,
Sri Lanka,
Swaziland,
Switzerland,
Chinese Taipei,
Thailand,
Togo,
Trinidad and Tobago,
Turkey,
Ukraine,
United Arab Emirates,
United States,
Uruguay,
Viet Nam, and
Zambia
(Source:
<http://www.tfafacility.org/ratifications>)

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