OECD Trade Facilitation Indicators: An overview of available tools

To help governments improve their border procedures, reduce trade costs, boost trade flows and reap greater benefits from international trade, OECD has developed a set of trade facilitation indicators (TFIs) that identify areas for action and enable the potential impact of reforms to be assessed. The OECD indicators cover the full spectrum of border procedures, from advance rulings to transit guarantees, for 133 countries across income levels, geographical regions and development stages.

Estimates based on the indicators provide a basis for governments to prioritise trade facilitation actions and to mobilise technical assistance and capacity-building efforts for developing countries in a more targeted way. The TFIs also provide a tool for countries to visualise the state of implementation of various policy areas and measures included in the WTO Trade Facilitation Agreement.

The potential impact on trade costs of the WTO Trade Facilitation Agreement

Analysis of TFI data shows that trade facilitation measures can benefit all countries whether they are exporting or importing goods by allowing better access to inputs for production and greater participation in the global value chains that characterise international trade today.

OECD calculations of the potential impact of the WTO Trade Facilitation Agreement (TFA) for various groups of countries are based on two distinct scenarios: a) a “full” implementation scenario where WTO Members would implement all the options contained in the Agreement, including those formulated on a “best endeavours” basis; and b) a “limited” implementation scenario where WTO Members would implement only the mandatory provisions contained in the Agreement, leaving aside discretionary provisions, but where countries that already implement best practices would continue doing so. These two scenarios seek to provide upper and lower bounds of potential trade cost reductions that are likely to be obtained through implementation of the Agreement. This impact will be strongly influenced by the way developing countries will categorize various measures and by the timeframes they will adopt for implementation. The calculations also identify the measures that may have the strongest potential to reduce trade costs for various groups of countries.

- The potential cost reduction from a “full” implementation of the WTO Trade Facilitation Agreement is 14.1% of total costs for low income countries, 15.1% for lower middle income countries and 12.9% for upper middle income countries.
- If countries limit themselves to the mandatory provisions of the agreement, the potential reduction reaches 11.7% for LICs, 12.6% for LMICs and 12.1% for UMICs, 2.4, 2.5 and 0.8 percentage points less than if they “fully” implemented best practices. This scenario reveals significant opportunity costs for low and lower middle income countries, in particular.

Details on estimates, data, methodology, sources and findings can be found at [http://www.oecd.org/trade/facilitation/indicators.htm](http://www.oecd.org/trade/facilitation/indicators.htm). The page also displays 133 country charts and regional overviews of TFI performance.
The state of implementation of trade facilitation measures around the world

Analysis of the TFI data shows that several provisions of the WTO Trade Facilitation Agreement appear to be already implemented by several countries across all income groups. Illustrative examples of the state of implementation for selected TFA Articles are provided below. Concerned countries may wish to consider including measures they implement in their Category A notification so as to focus their efforts on improving policy areas and measures that are in the process of implementation or not yet implemented, and on identifying any technical assistance required to support implementation. Further distinctions among the remaining measures to designate Category B or Category C provisions can only take place through gap analysis at the country level, taking into account not only the state of implementation but also identifying the actions necessary to comply with the measure. Country-specific notes on the state of implementation can be provided by the OECD to countries upon request.

TFA Article 1: Publication and availability of information

Article 1 is widely implemented among the sample countries. Among the types of information listed in Article 1.1, countries across all income groups widely publish about importation, exportation and transit procedures (1.1.a), and applied rates of duties and taxes (1.1.b). Lower and upper middle income countries widely publish about classification and valuation rules (1.1.d), appeal procedures (1.1.h), and agreements with third countries (1.1.i). Information available on Internet (1.2) and Enquiry Points (1.3) are well established in the majority of countries.

TFA Article 7: Release and clearance of goods

Among provisions of Article 7, pre-arrival processing (7.1) and electronic payment (7.2) seem to be implemented by around half the middle income countries, while risk management measures (7.4) are implemented by around half of upper middle income countries. Separation of release from clearance (7.3) appears unrelated to income levels. The establishment and publication of average clearance times (7.6), measures for authorised operators (7.7), and measures for perishable goods (7.9) are still work in progress across income groups.
Provisions in Article 10 that appear widely implemented relate to pre-shipment inspection (10.5), the use of international standards (10.3), and the use of customs brokers (10.6). The review and simplification of formalities and documentation requirements (10.1) and the acceptance of copies (10.2) are still work in progress across all income groups. Provisions on single windows (10.4) are where countries in the sample, low income countries in particular, have made the least progress.

Implementing trade facilitation measures: Costs and challenges

The capital investment and operating costs of implementing the trade facilitation measures featured in the OECD TFIs are relatively low compared to the potential benefits they bring. Trade facilitation measures introduce new ways to fulfill traditional mandates of border agencies, thereby making them more efficient and effective. The expense of streamlining and simplifying procedures needs to be viewed against the potentially significant gains in terms of trade cost reductions.

Introducing and implementing trade facilitation measures involves costs and challenges in one or more of the following areas: diagnostics, new regulation, institutional changes, training, equipment and infrastructure, and awareness-raising and change management. Of these, equipment and infrastructure are often the most expensive although training appears to be the most significant as trade facilitation is primarily about changing the way border agencies do business. A recent OECD review of the costs and challenges of trade facilitation measures incurred by a number of developing countries found that the total capital expenditure to introduce trade facilitation measures ranged between USD 5 and USD 25 million, while annual operating costs directly or indirectly related to trade facilitation did not exceed USD 3.5 million.

Measures that entail a significant upfront investment are not necessarily costly to operate once they are launched; the best example is a single window mechanism for submission of documentation. Some measures may be relatively inexpensive to put in place but raise challenges in terms of actual enforcement and in terms of their sustainability in the long run. Overcoming resistance to change requires political will and sufficient time, in addition to technical and financial assistance.
Support for trade facilitation

Expenses for purchasing equipment, training officials and putting in place new measures have benefitted from increased technical and financial assistance for trade facilitation over the last decade.

Donor support directed to simplifying and modernising border rules and procedures reached USD 477 million in 2012, an increase of 480% from the 2002-05 base-line average. The largest beneficiary was Africa, which received USD 290 million in 2012, a 26-fold increase over a ten-year period. With just one exception in 2011 when it dipped as a result of the financial crisis, aid for trade facilitation has been growing strongly and bounced back with a 26% increase in 2012. More information can be found at http://www.oecd.org/tad/facilitation/Trade_facilitation_data_charts_february_2014.xlsx.

Commitments 2002 – 2012
USD millions, 2012 constant prices

Further reading

Read about the methodology, sources and findings from the OECD trade facilitation indicators in these analytical papers, available on our website: oecd.org/trade/facilitation

