OECD Trade Facilitation Indicators

Transforming border bottlenecks into global gateways

International trade is the engine of the global economy. More people, goods and services are crossing borders than ever before. But trade is changing — today, products and the services that go with them are sourced from all over the world.

As goods cross borders many times, first as inputs and then as final products, fast and efficient customs and port procedures are essential. Unduly complex processes and documentation raise costs and cause delays, and ultimately, businesses, economies and consumers bear the cost. Conversely, a country where inputs can be imported and goods and services can be exported within quick and reliable timeframes is a more attractive location for foreign firms seeking to invest.

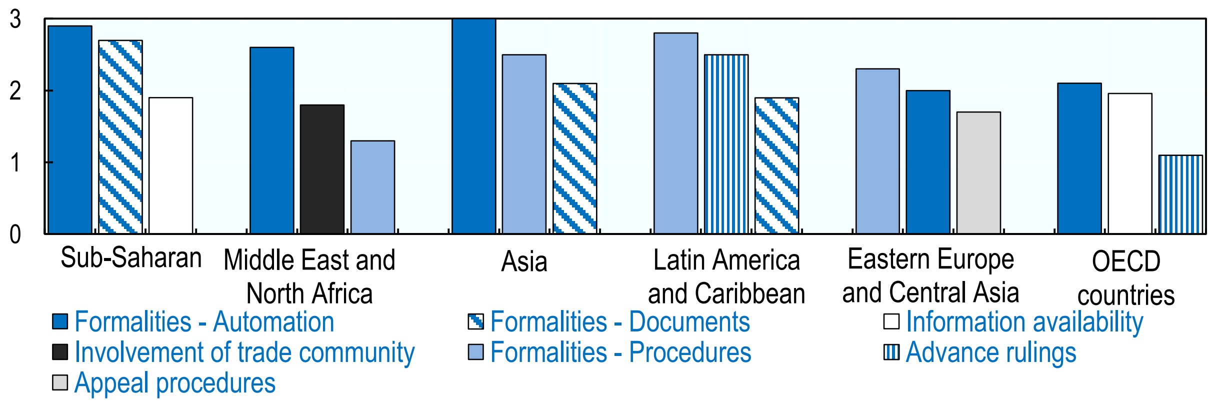
To help governments improve their border procedures, reduce trade costs, boost trade flows and reap greater benefits from international trade, OECD has developed a set of **trade facilitation indicators** that identify areas for action and enable the potential impact of reforms to be assessed. Estimates based on the indicators provide a basis for governments to prioritise trade facilitation actions and mobilise technical assistance and capacity-building efforts for developing countries in a more targeted way.

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.

OECD analysis shows that trade facilitation measures can benefit all countries in their role as exporters as well as importers, allowing better access to inputs for production and greater participation in the global value chains that characterise international trade today.

- Reducing global trade costs by 1% would increase worldwide income by more than USD 40 billion, 65% of which would accrue to developing countries.
- The potential cost reduction of comprehensive trade facilitation reform is almost 14.5% for low income countries, 15.5% for lower middle income countries, 13.2% for upper middle income countries and 10% for OECD countries.
- In **Ethiopia**, customs reforms increased imports and exports by 200% and tax revenues by over 51%.
- In **Tunisia**, a reduction in cargo delays from ten days in 2003-04 to 3.3 days in 2010 helped generate 50 000 full-time and 50 000 part-time jobs for the firms involved.
- In **Costa Rica**, the introduction of a new single submission point ('single window') for all required documentation helped reduce clearance time for dairy products from 10 to 1.5 hours, and for agrochemicals from 27.5 to 2.2 hours.

Potential cost reductions in goods trade, %



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Findings from OECD trade facilitation indicator analysis

- **Harmonising and simplifying trade documents** would reduce trade costs by 3% for low income countries and by 2.7% for lower middle income countries.

- **Streamlining border procedures** would bring further trade cost reductions of 2.8% for upper middle income countries, 2.2% for lower middle income countries and 1% for OECD countries.

- **Automating trade and customs processes** would also reduce trade costs by 2.3% for low income countries, 2.1% for lower middle income countries, 2.4% for upper middle income countries and 2.1% for OECD countries.

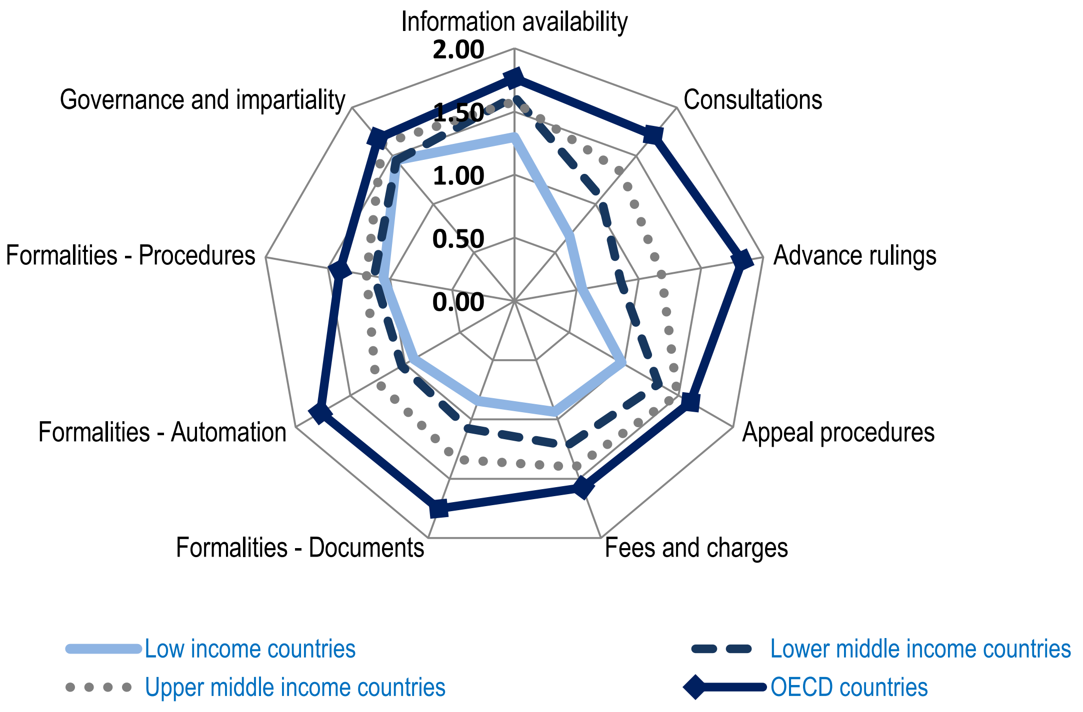
- **Ensuring the availability of trade-related information** would generate cost savings of 2% for OECD countries, 1.6% for low income countries and 1.4% for lower middle income countries.

- **Advance rulings on customs matters** would also bring cost reductions of 1.5% for lower middle income countries, 1.2% for upper middle income countries and 1% for OECD countries.

- **Simplifying transit formalities** and **ensuring transit co-operation** are the most effective facilitation measures for landlocked countries to boost their trade flows.

Implementation of trade facilitation measures

Average trade facilitation performance by country group, latest available data, where 2 = best performance



Note: The indicators are built with the latest information available. Implementation dates of the different measures are not available at this stage, thus it can be considered that the indicators broadly cover the period 2002-2012.

Implementing trade facilitation measures: costs and challenges

The capital investment and operating costs of implementing the trade facilitation measures featured in the OECD indicators are **relatively low compared to the potential benefits they bring to the economy**. Trade facilitation measures introduce new ways to fulfill traditional mandates of border agencies, 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. However, 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 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 to introduce are not necessarily costly to operate once set up — 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 in practice 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 modernizing border rules and procedures reached USD 381 million in 2011, an increase of 365% from the 2002-05 base-line average. The largest beneficiary was Africa, which received USD 200 million in 2011, a 17-fold increase over a ten-year period. Indeed, aid for trade facilitation resisted the financial crisis relatively well, declining by 10% between 2010 and 2011, compared to the 14% decline in overall aid for trade commitments in 2011.

In addition, the equipment and infrastructure needs of trade facilitation reforms have also benefited from the substantial funds directed to trade-related infrastructure, with USD 11.5 billion devoted to transport and storage and USD 617 million devoted to communications in 2011.

Source: OECD-DAC Aid activities database (CRS), under the “trade policy and regulations; trade facilitation” purpose code.

About OECD trade facilitation indicators

OECD has developed the following indicators to assess trade facilitation policies:

Advance Rulings	Prior statements by the administration to requesting traders concerning the classification, origin, valuation method, etc., applied to specific goods at the time of importation; the rules and process applied to such statements.
Appeal Procedures	The possibility and modalities to appeal administrative decisions by border agencies.
Co-operation – External	Co-operation with neighbouring and third countries.
Co-operation – Internal	Co-operation between various border agencies of the country; control delegation to customs authorities.
Fees and Charges	Disciplines on the fees and charges imposed on imports and exports.
Formalities – Automation	Electronic exchange of data; automated border procedures; use of risk management.
Formalities – Documents	Simplification of trade documents; harmonisation in accordance with international standards; acceptance of copies.
Formalities – Procedures	Streamlining of border controls; single submission points for all required documentation (single windows); post-clearance audits; authorised economic operators.
Governance and Impartiality	Customs structures and functions; accountability; ethics policy.
Information Availability	Publication of trade information, including on internet; enquiry points.
Involvement of the Trade Community	Consultations with traders.

Further reading

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

- *The Costs and Challenges of Implementing Trade Facilitation Measures* (OECD Trade Policy Paper No.157, 2013)
- *Trade Facilitation Indicators: The Potential Impact of Trade Facilitation on Developing Countries' Trade* (OECD Trade Policy Paper No. 144, 2013)
- *Trade Facilitation Indicators: The Impact on Trade Costs* (OECD Trade Policy Paper No. 118, 2011)

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