



MED MSMEs

Policies for inclusive growth

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Support to an Enabling Business Environment for MSMEs Development & Financial Inclusion



PANEL 1:

WTO TFA and Paperless Trade

Simplification and Digitalization of International Trade Procedures

Marrakech, Kingdom of Morocco

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1. Introduction

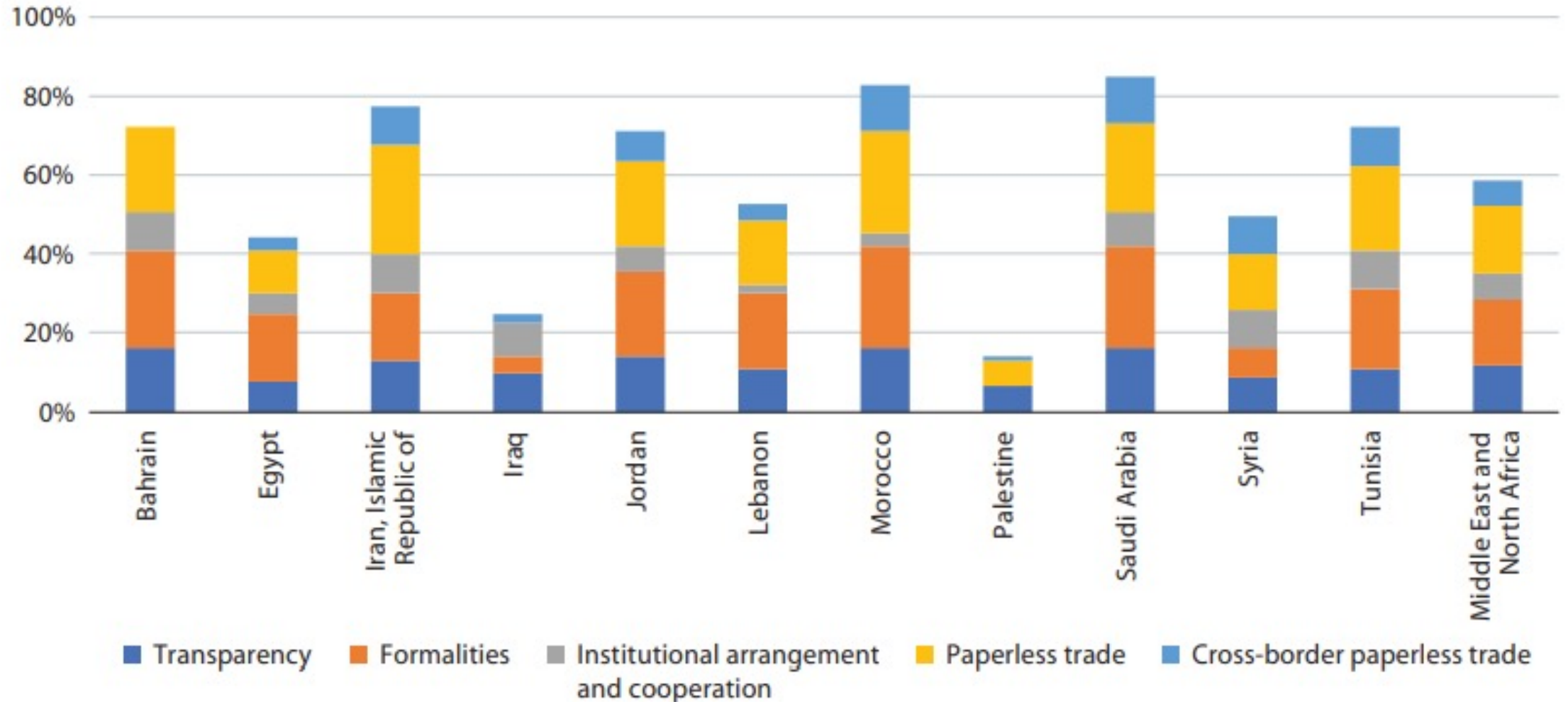
- **Significant international challenges** affecting global trade
- Post-covid, global supply chains, food security, high inflation, regional security, technology accelerating, climate change and the environment
- **MENA has high barriers and costs to cross-border trade**, logistical and transport challenges, means intra-regional trade is low e.g. some countries in the region face lower trade costs when trading with Europe than with each other
- MENA has a population close to that of the EU- but low levels of intra regional trade
- **Benefits of greater regional integration:** FDI, job growth, regional technological advances, costs of doing business fall
- **Digital Transformation** – both an opportunity and a threat (do we embrace it and if so, then what do we need to do *now*?)



2. WTO TFA

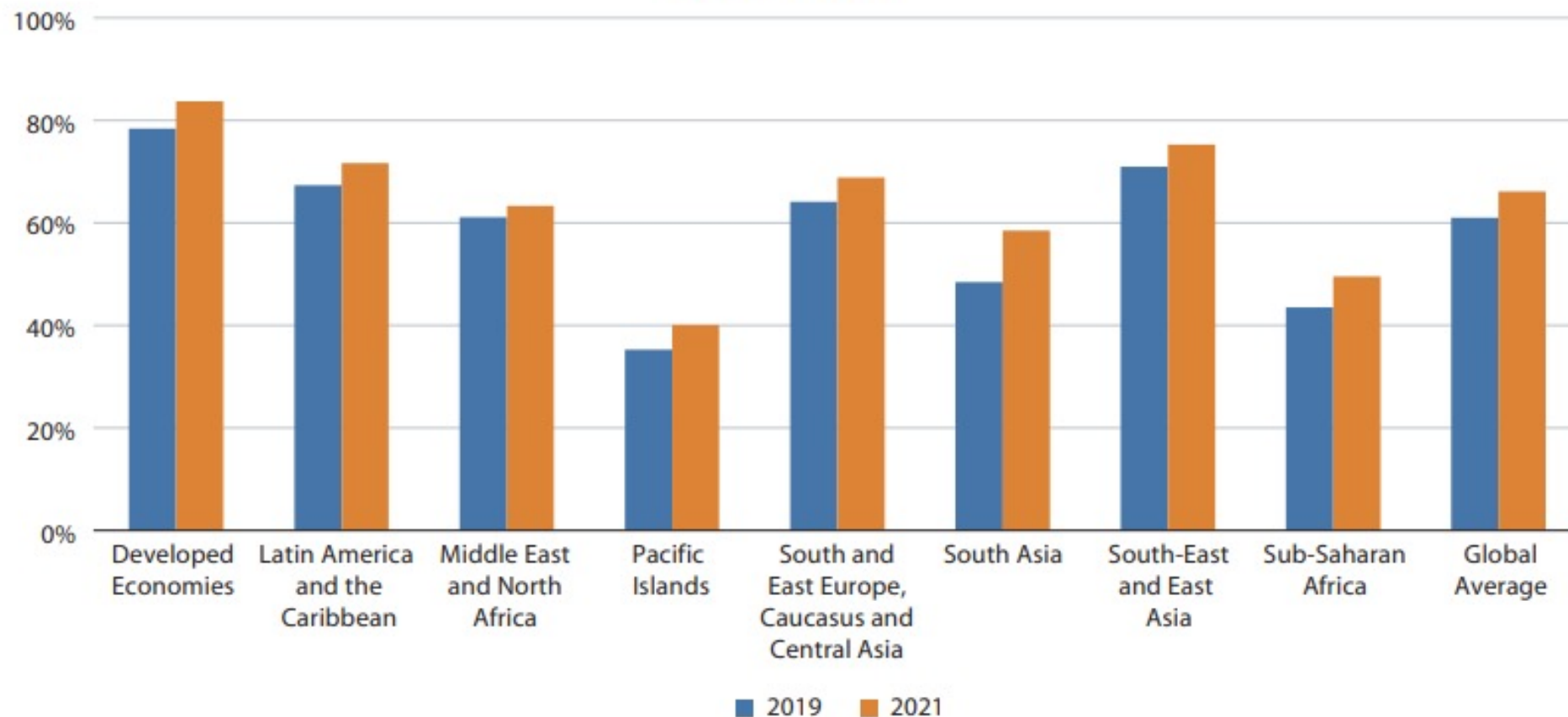
- Simplification & digitalization of procedures
- Cutting red tape & costs at borders
- Increasing intra-regional trade
- Digital Transformation: opportunity to 'leapfrog'
- Achieving paperless cross-border trade is a long and difficult process
- Fragmentation of decisions around TF
- Coordination (between and within)
- Digitalisation a relatively easy concept to understand but very difficult to implement successfully
- Tariffs reducing but NTMs/NTBs on the increase
- Progress on: *Paperless Trade (64%)*
- *Cross-border Paperless Trade (38%)*

Average implementation rates of Trade Facilitation measures in MENA (58.7%)



Source: The UN Global Survey on Digital and Sustainable Trade Facilitation, 2021. Available at untdf.org

Figure 5. Progress of implementation of trade facilitation measures by various regions, 2019 and 2021



Source: The UN Global Survey on Digital and Sustainable Trade Facilitation, 2021. Available at untfsurvey.org

Trade Facilitation (TF) — Cutting “red tape” at the border

Average cross-border transaction can involve up to :

- ✓ 20–30 different parties
- ✓ 40 documents
- ✓ 200 data elements (30 of which are repeated at least 30 times)
- ✓ Re-keying of 60–70 % of all data at least once!!

With the lowering of tariffs across the globe, **the cost of complying with customs formalities** has been reported to exceed (in many instances) the cost of duties to be paid!!

In 2021,

16 million bills of lading

were issued,

<1% were electronic.

3. Policy Decisions

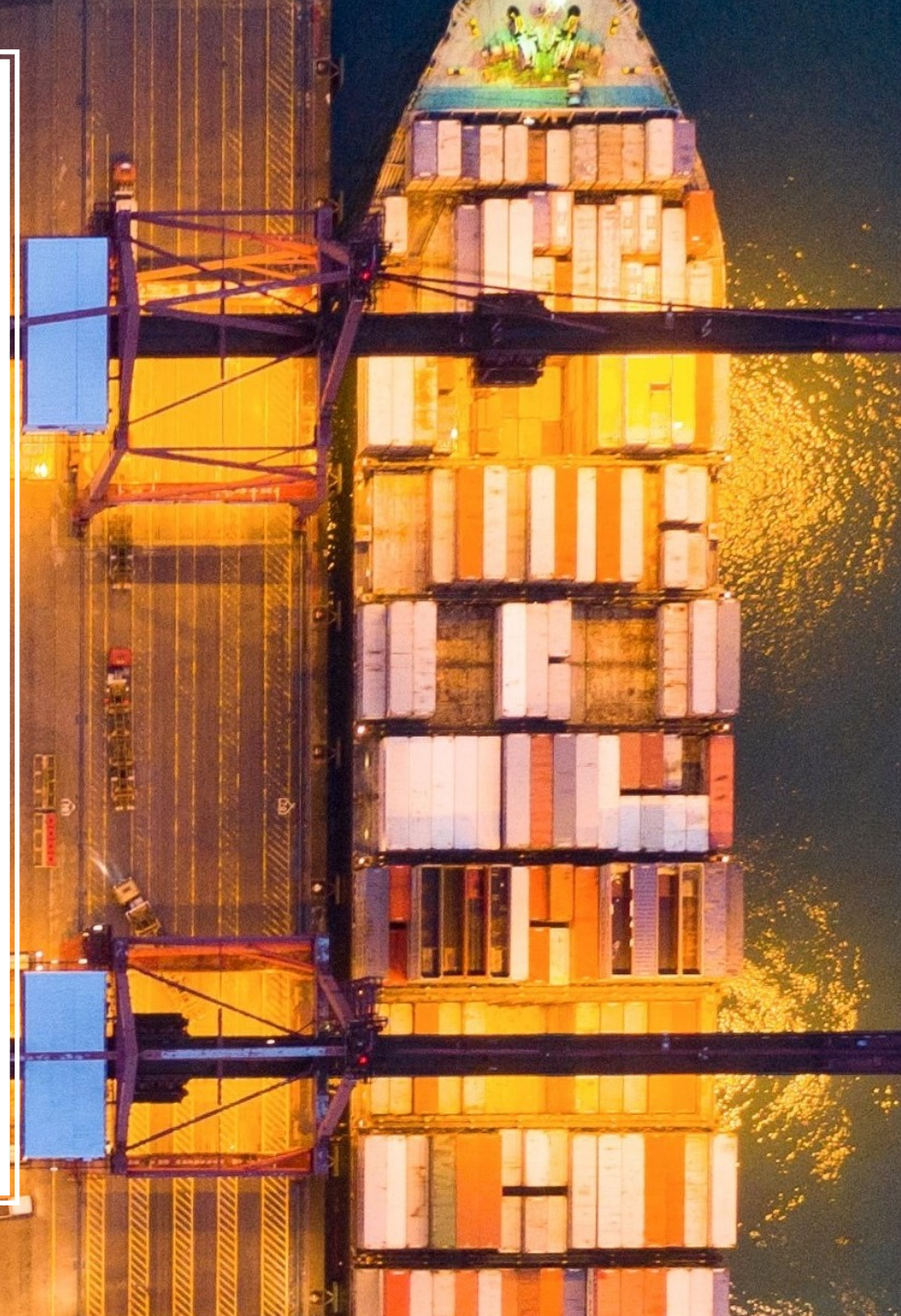
- ✓ Coordination – NTFCs (governance)
- ✓ Fragmentation of this function
- ✓ TRS or similar baseline (M&E)
- ✓ ‘Whole of Government Approach’ - sequencing
- ✓ Setting a *National Implementation Strategy* (including Action Plans) – clear roadmap
- ✓ Coordinate with donors on TA (national and regional level)
- ✓ Coordinate with other NTFCs regionally
- ✓ Regional Coordination of NTFCs
- ✓ Political will
- ✓ Financing model (investment)

*The reason why many SMEs (which account for up to 60% of GDP) – are not active players in international trade has **more to do with red tape rather than tariff barriers***



3. Reforms to modernize & ease Cross-border Trade Procedures and Processes

- ✓ Legal reform – gaps/overlaps (data harmonization)
- ✓ Technical challenges? People? Process (change management)?
- ✓ Integrated Risk Management
- ✓ Lack of in-depth understanding on the SW concept among GAs
- ✓ National and Regional Single Windows (interoperability)
- ✓ Deepen and widen trade portals (trade services, B2B)
- ✓ Regional Benchmarking studies on logistics & transport, one stop border posts (OSBP) etc.
- ✓ Merging border agencies
- ✓ Funding and investment (labs, testing etc)
- ✓ Capacity building and institutional development
- ✓ More regional frameworks for cooperation



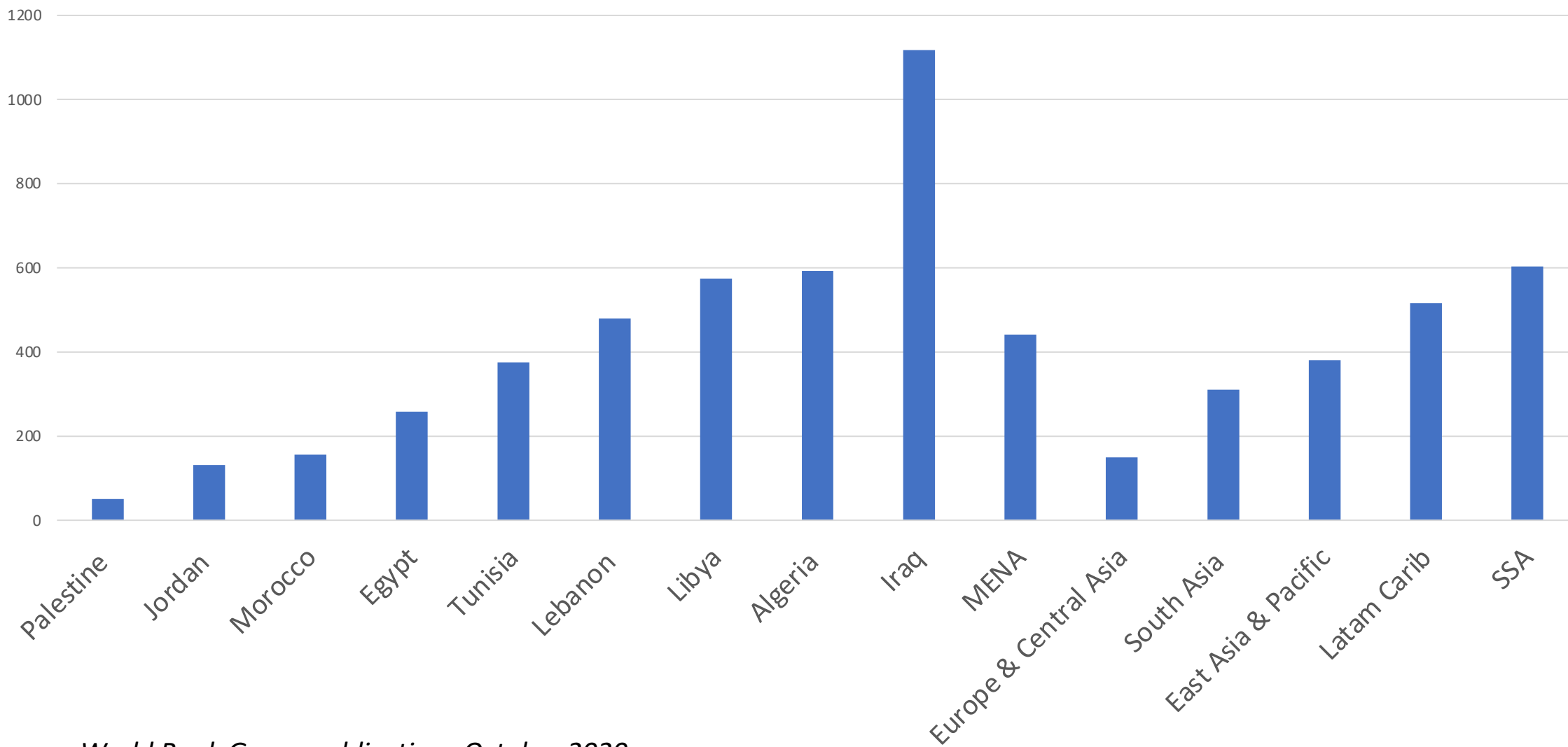
The cost of complying with border requirements (in MENA) for exporting averages \$442 and takes 53 hours, which is 3 and 4 times more than the averages among OECD high-income economies.

Source: OECD



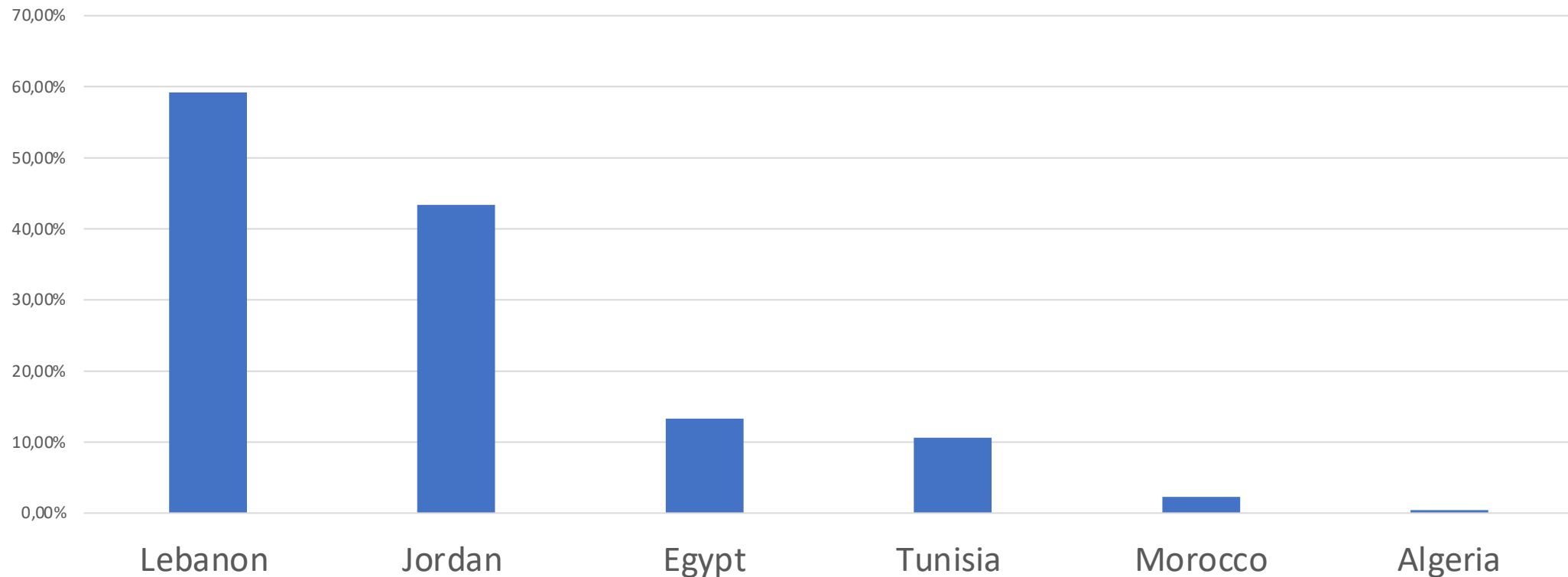
USD \$

Cost to export: border compliance (USD\$)



Source: World Bank Group publications October 2020

Share of intra-region intermediate trade exports in the MENA 2020



Cross-border Paperless Trade – many challenges remain

- Acceptance of e-signatures
- Use of electronic data in judicial proceedings
- Transaction data retention at a regional level
- Information security standards at a regional level
- Different levels of compliance of traders across borders
- Levels of economic development across the region
- Different levels of automation
- Cross border legal framework



Digital Standards Internationally

- Standards enable interoperability
- Harmonize the standards used for digital trade
- *Standard Toolkit Cross-border Paperless Trade*
- Maps existing standards (payment documents, port & airport clearance docs, official control docs for customs and other border agencies etc)
- However legal reform is urgently required.



Legal aspects of Cross-border (CB) Paperless Trade

- **WTO legal framework** lacks specific provisions in some areas (dispute settlement system by 2024)
- Most countries now have a **basic legal framework** (for e-transactions and recognition of e-docs & signature)
- However, problems still with recognition from *outside (CB paperless trade)*
- **International & legal instruments** that can address this issue:
 - *Framework Agreement on CB Paperless TF in Asia Pacific* (May 2022)
 - UNCITRAL Model Laws on Electronic Transferable Records (MLETR)
 - UN/CEFACT Recommendation 34 (*Recommendation and Guidelines on Single Window Data Harmonization*)
 - Various countries are making efforts to address this issue e.g. Singapore - digital partnerships agreements
- Legal recognition of e-transactions , e-signatures, data governance, liability and dispute resolution etc.

Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific

Update (December 2020)



Cross-border Paperless Trade Toolkit





Shukran
Merci
Thank you

