# Implementing the Forthcoming WTO Trade Facilitation Agreement

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## Primary tasks

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Achieving the World Trade Organization (WTO) trade facilitation agreement is one of the most important opportunities for global development and trade. Border inefficiencies are estimated to cost twice the amount of tariffs; the removal of those inefficiences could increase global trade by as much as $1 trillion, equally divided between developed and developing countries, and create as many as 21 million jobs worldwide.

A recent study by the Organization for Economic Cooperation and Development (OECD) found that reducing global trade costs related to trade facilitation by just 1 percent would lead to a $40 billion increase in world income. Finalizing the “Bali Package” would also keep alive the global trade process known as the Doha Round. In other words, getting the WTO trade facilitation deal done and, then, following through on implementation offers incredible low-hanging fruit for trade and development.

India’s decision in July to block the trade facilitation agreement has caused grave concerns. This setback followed a December 2013 WTO conference in Bali where members unanimously agreed on a deal to streamline customs procedures and minimize border delays. The Bali Package was significant given its flexibility regarding implementation by developing countries based on their abilities and resources.

**However, it seems likely that some form of the trade facilitation agreement will emerge given that both developed and developing country members will be averse to renegotiating the timelines set in Bali.** The reality is that India has little objection to the actual trade facilitation component of the agreement and has shown a willingness to compromise. WTO director general Roberto Azevêdo has called a follow-up head-of-delegation meeting on September 29 to chart a course forward.

Assuming WTO members achieve an agreement on paper, the real and slow work of implementation will begin. The total bill that wealthy countries would be asked to pay for fixing inefficiencies of developing country borders through additional technologies, approaches, and training could be as much as $1 billion over five years—a relatively small premium to pay even in today’s world of limited development dollars given the estimated economic benefits that can be realized in the medium term. (This will be the case if 100 developing countries come forward with trade facilitation “wish lists” in the $10–$15 million range.) The United States would ideally contribute 20–30 percent of this global “public good.”

**If there was ever a development opportunity that requires focused diplomacy and then sustained and strategic development follow through, this is it.** This opportunity is going to require money, “ground truthing” about what a country says it is doing via the Geneva negotiations versus what companies are actually experiencing on the ground, new technologies, private-sector expertise, and diplomatic attention.

**Sustained political will on the part of developing country governments is a critical ingredient.** What one group calls inefficiencies at the border may be part of a complex web of crony capitalist arrangements for protectionism or personal revenue collection in the form of bribes. Success will mean less corruption and greater

global prosperity but will require developing countries to make some difficult political reforms, something not all are willing and able to do. These arrangements require poltical focus on the part of country leaders. When a final agreement is reached, there could be as many as 100 countries coming forward with wish lists of reforms to be paid for by donor countries. Donors need to “triage” scarce donor dollars by prioritizing countries demonstrating political will to fix inefficiencies at the border. These decisions require significant knowledge from embassies, chambers of commerce, indiviual freight forwarders, global value chain participants, and multilateral development banks.

New partnerships are needed to gather the best information, to leverage the best technology, and to pool public and private funds and efforts toward implementing the trade facilitation deal. A coordinated arrangement by donors and corporations offers countries serious about reform an “incentive fund” to take the hard decisions. This arrangement will take time to come together, and these partners need to act now to fully implement the trade facilitation agreement.

**Securing the Next Big Win in Development: Leveraging Public-Private Partnerships for Implementation**

The U.S. Agency for International Development (USAID) has proposed creating a $50 million multisector, multidonor trust fund and is encouraging companies to join in this effort. Participating companies would help identify target countries to support based on which ones are actively carrying out the sorts of changes that are envisioned in the agreement. Companies could also support implementation by providing their unique expertise, approaches, and technologies to supplement some of the assets that donors such as USAID can bring to the table.

**A pooled donor approach to trade facilitation would allow for a coordinated response to this development opportunity—something that no single group, including the WTO and the World Bank, has proven capable of providing U.S. leadership through USAID is needed to pull together a coalition of willing donors to take advantage of this unique development and trade opportunity.** With the participation of other bilateral donors, the alliance could divvy up the technical assistance tasks and countries of focus.

For USAID to reach the $50 million in grant resources available for technical assistance, a conservative goal of private-sector cash contributions over a series of years could be between $2 million and $5 million of the total funds raised. However, few companies have expressed interest in participating in the alliance through cash donations into a pooled fund. Further, it is unlikely that any one company will give more $1 million.

**One way of increasing private-sector commitment to the partnership would be for USAID to create a long-term secondment program where rotating, experienced, trade facilitation professionals from different companies and industries have the opportunity to work within USAID on the challenges of trade facilitation, traveling to USAID missions, and working with USAID partners and governments on the ground.** Terms could last up to six months at a time as part of this program. USAID trade professionals might also spend shorter stints at companies to better understand the challenges that global companies are facing and that might be applied to the challenges of trade faciltation. Ideally, these loaned executives would be seconded from the brokerage and operations side of partner companies. USAID and other donors do not typically interact with these stakeholders who offer critical experience and expertise on this development opportunity.

**As part of its company and U.S. government stakeholder outreach, USAID needs to make specific appeals to the Business Roundtable (TBR) and the President’s Export Council (PEC).** The most effective way to ensure company buy-in is through its chief executive officer (CEO); TBR and PEC are the two most effective “force multipliers” for reaching company leadership. PEC is housed in the Department of Commerce and serves as the principal private-sector advisory body to the president on international trade, focusing on export expansion and acting as a forum for discussing and resolving trade-related problems among the business, industrial, agricultural, labor, and government sectors. Members include the CEOs of Boeing, Ford, Pfizer, Archer Daniels Midland, and DOW Chemical—companies of interest to USAID—as well as other stakeholders within the U.S. government system that have their own pools of funding, including the Departments of Commerce, Agriculture, Treasury, and the Overseas Private Investment Corporation (OPIC). Similarly, TBR companies bring in $7.4 trillion in annual revenues

and give over $9 billion a year in charitable contributions. These organizations meet every fall to set priorities for the next fiscal year, and USAID should engage these organizations before their budgets are finalized.

Unfortunately, global corporations are generally unwilling to commit large amounts of funding unless there are significant pooled resources from bilateral donors. At the same time, there are a number of bilateral donors unwilling to put forward donor resources unless they see significant corporate resources. USAID should continue to encourage bilateral donor contributions in the hopes of attracting corporate contributions and, more importantly, incentivize corporate coordination.

**USAID and other donors also need to identify, in partnership with companies and other donors, 10–15 priority countries that have the political will, USAID presence, and geostrategic importance to put their limited resources toward those countries.** Successful implementation will create benefits to these developing countries and will encourage other countries to follow suit. This will also offer USAID the evidence to seek additional resources in a resource constrained environment.

To determine these countries, USAID should align its country resourcing priorities and information about developing country willingness with private-sector data from existing tools such as the Global Express Association's (GEA) "Customs Capability Database" and the World Economic Forum's (WEF) "Enabling Trade Report." Recognizing that various companies that participate in the alliance will have competing priorities, USAID needs to accommodate the earmarking of contributions toward specific countries and sectors. Additionally, as part of the "sell" to companies, USAID should identify a handful of indicators that will measure and track success in consultation with major companies and other donors.

**Finally, donors should create a multiyear "Trade Facilitation Progress Index" similar to the World Bank's "Doing Business Indicators."** The trade and development opportunities around enhanced global trade facilitation standards are significant enough that donors should invest in an annual index to run for the next 10 years measuring progress, identifying reformers, and recognizing them for their efforts. Additionally, no single index exists today that tracks all of the components of the WTO trade facilitation agreement. USAID should support global efforts to create an index that would rank all WTO members, measure policy gaps and progress, and compare realities on the ground to what negotiations say is happening on the ground. In addition to using indicators from the WEF report and the GEA gap analysis, this new index should also take into account political will among country partners. Establishing the index will also add a component of accountability into the implementation process and feed into USAID's broader policy focus on data-driven development.

**Conclusion**

Fixing trade facilitation is a long-term endeavor. But for the first time, the WTO trade facilitation agreement includes a highly individualized approach to differential treatment, allowing developing and least-developed countries to choose their own transition periods on a provision-by-provision basis, while working in partnership with technical assistance providers. Regardless of what happens in Geneva, there is a large enough consensus across developing and developed countries to move forward on the trade facilitation agenda. The United States should seize the opportunity and set the stage for implementing the "next big thing" in development.

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