The Clock Has Started on TFA Implementation

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Full implementation of the World Trade Organization's (WTO) Trade Facilitation Agreement (TFA), which entered into force on February 22, 2017, is estimated to produce up to US$1 trillion in global export gains annually and create 20 million jobs worldwide, and the United States will benefit from making it happen. The TFA is a multilateral trade agreement designed to unclog the pipes at customs and borders. Improving global trade mechanisms will have sweeping economic benefits: better infrastructure, export diversification, and decreased corruption. Uniquely, the agreement allows for implementation time horizons, and support needs to be determined by each country for each provision. Most notably, the TFA is an opportunity for the United States to continue to lead on global trade issues and reinforce the rules of the global order through helping developing countries play by those rules and, ultimately, benefit from them, too.

U.S. producers have much to gain from the United States playing a principal role in the TFA. The economic interests of the United States are aided by the strengthening and acceleration of developing economies enabled by the TFA. The economic advancement of developing economies means the creation of new markets for the United States to broaden its consumer base along with the increased buying power of U.S. consumers abroad. Specifically, as a leading food exporter, U.S. agriculture has an opportunity to expand its export base and break into new markets. With broadening and diversifying markets buying U.S. exports, and the elimination of red tape to block U.S. imports, the agreement is a win-win scenario for the U.S. economy and its consumers overseas.

When the agreement went into effect, the conversation changed from one of "high diplomacy" in Geneva to a foreign aid and "local diplomacy" conversation. To make the agreement happen, all "political will" moves from diplomats and bureaucrats in Geneva to a new set of bureaucrats—commerce ministers, agricultural ministers, port managers, local embassies, the World Bank, U.S. and other foreign aid providers. According to WTO, the costs of implementation will be modest compared to the anticipated benefits.

The real trick is to have the political will to carry out tough reforms. These reforms often touch the hearts of corrupt, crony relationships. How can we tell which countries are serious about reforms? One proxy is if a country, as a whole-of-government, has put forward its "wish list" of facilitation needs that it wants the United States, World Bank, etc. to fund. The agreement's so-called Category C is a fancy term for this wish list. Nations with Category C provisions are key opportunities for trade facilitation partnerships with the United States, which should seek out developing countries that are politically willing and committed to the agreement.

Currently, U.S. trade and foreign assistance policy are not managed within the same congressional committees, and various U.S. agencies manage trade, diplomacy, and development. To effectively and efficiently allocate resources to prioritize international trade, a leader within the U.S. government must be identified. As the primary agency for the management of U.S. foreign aid, the U.S. Agency for International Development (USAID) should take the lead on making the TFA happen.

One way to ensure implementation and financing involves public-private partnerships (PPPs) with the United States, donor nations, developing nations, and the private sector. Such partnerships will leverage skills and resources to support successful trade facilitation improvements and reforms. An ideal component of a U.S.-led PPP should entail the “loan out” of private-sector experts to serve short stints as consultants or advisers in target developing nations. In 2015, USAID with the Office of the U.S. Trade Representative (USTR) announced their primary role in the inception of the Global Alliance for Trade Facilitation, a PPP constructed to support TFA implementation efforts in emerging economies. The alliance includes the World Economic Forum, the International Chamber of Commerce, and the Center for International Private Enterprise, as well as the governments of the United States, Canada, Germany, Australia, and the United Kingdom. Partner multinational enterprises include A.P. Møller-Mærsk, DHL, Diageo, Wal-Mart, eBay, Huawei, Agility, United Parcel Service, Cisco, Novartis, FedEx, and the list is growing.

The United States should dedicate a relatively modest $150 million over five years toward TFA support in developing countries that display clear intent to thoroughly implement and carry out the agreement. Other contributors, such as Australia, New Zealand, the United Kingdom, Canada, the World Bank, and the international development banks, will help share the cost of implementation. This relatively small amount of funding should provide technical assistance, largely in the form of training and capacity building, and technological updates that will significantly “unclog the pipes” of global trade. Furthermore, these conditional resources would create an incentive for reforming countries to determine and adhere to time horizons and allow donors, such as the United States, to prioritize countries dedicated to fully implementing the TFA. As of July 2017, there exists a pool of 11 WTO member countries with wish lists for reform assistance, 8 of which have existing USAID missions and should be the foci of the United States.

The TFA is a savvy investment for the future of the U.S. economy, jobs, companies, and international relationships. A 2015 study conducted by WTO economists estimates that complete implementation of the TFA will cut members' trade costs by an average of 14.3 percent. Per the 2015 Organization for Economic Cooperation and Development (OECD) Trade Facilitation Indicators (TFIs), countries fully implementing the TFA will shrink their trade costs by 1.4–3.9 percentage points more than countries only meeting TFA minimums for implementation. The 2015 TFIs also show that complete implementation of the TFA can reduce total trade costs by 16.5 percent for low-income countries, 17.4 percent for lower-middle-income countries, 14.6 percent for upper-middle-income countries, and 11.8 percent for OECD countries. Additionally, the agreement is expected to shorten the time it takes to import goods by one and a half days and to export goods by nearly two days. U.S. corporations with international value chains stand to benefit most significantly from these reduced delays. These cost cuts translate to lower costs for U.S. businesses, lower prices for U.S. consumers, greater market accessibility for U.S. firms of all sizes, and sustainable economic growth worldwide.

In the developing world, the TFA will also promote expansion of soft and hard, or physical, infrastructure to enable a country to increase productivity and better engage in the world of international trade. Enhanced soft infrastructure is of note because it includes human capital and institutions, vital components for sustainable improvements in trade. The resulting economic gains from the agreement will spur the creation of new products and market destinations through export diversification. This will better integrate developing countries into the global value chain, increasing efficiency and lowering costs across the board. Given the strong intertwinement of trade and investment, those that implement the agreement will attract more foreign direct investment to aid economic growth, especially in developing nations. Economic growth should serve as a disincentive for fraudulent trade activities and, therefore, incentivize reductions in government and bureaucratic corruption and improvements in the collection of government revenues.

The United States should promote its interests and demonstrate its continued commitment to international trade and development through leadership in TFA operationalization. The agreement is a win for all parties involved. Trade facilitation entails mutually beneficial opportunities for both developed and developing countries to strengthen their economies through trade cost reduction along with the creation of global partnerships.

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