The WTO Trade Facilitation Agenda: 2015's Biggest Development Opportunity

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In November, India and the United States ended a standoff at the World Trade Organization (WTO) over New Delhi's food security program. For its part, the United States promised to extend a "peace clause" that rules out any challenges to India's program until members negotiate an update to the rules. As a result, the WTO averted a crisis and can now implement a 2013 Bali Trade Facilitation Agreement that would streamline the transportation, release, and clearance of international goods.

If implemented effectively, the agreement would unlock roughly $1 trillion for both developing and developed countries and create as many as 21 million jobs worldwide. According to the Organization for Economic Cooperation and Development (OECD), implementation could cut as much as 15 percent off the price of goods stemming from red tape and corruption. To add, every 1 percent saved in trade-related transaction costs creates a worldwide benefit of $43 billion, 65 percent of which would accrue to developing countries.

Despite this breakthrough, the impasse illustrates lingering developing country concerns over the multilateral trading system and its impact on their development priorities. Many African and Latin American countries continue to worry that the agreement would force them to allocate significant resources toward new infrastructure, training, and maintenance instead of other goals. Even in countries that support the trade facilitation agenda in principle, government leaders are often unwilling or unable to spend political capital on an issue fraught with special interests and operational bottlenecks.

Trade facilitation is a prize for both developing and developed countries, but winning broad support for implementation requires the right mix of targeted capacity-building efforts and partnerships with relevant and often competing stakeholders. Donors, including the United States, Canada, and Australia, should lead these efforts, should identify and engage with politically willing countries, and should leverage limited development dollars through multi-sector, multi-donor partnerships. Progress in target countries will be critical in expanding implementation to other WTO members.

A Role for Donors

Earlier this year, CSIS wrote about the need for new partnerships to gather the best information, leverage the best technology, and pool public and private funds and efforts toward implementing the trade facilitation deal. A coordinated arrangement by donors and corporations will offer countries serious about reform an incentive to take the hard decisions. For its part, the U.S. Agency for International Development (USAID) is creating a multi-sector, multi-donor partnership that seeks to encourage implementation in a select number of countries. However, companies and donors have been unable to reconcile conflicting industry interests and expectations as part of this process, and donors other than the United States have been unwilling to spend limited aid dollars without matching private-sector funding. This has resulted in a lack of financial and in-kind support from the right companies and gridlock within the donor system in implementing the trade facilitation agreement.

Getting this initiative back on track will require a way for donors to identify target countries that would capture the interests of competing companies, sectors, and developing country partners. One way to move forward would be for donors and companies to create a multiyear "Trade Facilitation Progress Index" similar to the World Bank's *Doing Business Indicators*. The annual index would measure progress in countries with information from the private sector, donors, and developing county governments with the goal of identifying reformers and recognizing them for their efforts. The index might rank all WTO members, measure policy gaps and progress, and political will. The Global Express Association's Customs Capability Index, established by major freight forwarding companies, and the World Economic Forum's *Global Enabling Trade Report* get at some but not all of these issues.

Donors that have consolidated their aid, trade, and foreign affairs ministries, such as Canada and Australia, are particularly well suited to work with the United States, not only in building this index, but in partnerships to implement trade facilitation. USAID is in the process of finalizing multi-stakeholder partnership, and donors other than the United States should join in providing in-kind support, expertise, and networks on the ground to start moving on the partnership. Furthermore, these donors could leverage existing networks, embassies, and partnerships in regional priorities as a first step in setting up a pooled donor approach to this development opportunity.

Canada and Australia in particular have been leaders on trade facilitation. However, other countries, including Switzerland and Norway, have also contributed significantly in previous efforts. Following the Bali agreement, these countries set up the World Bank's Trade Facilitation Support Program (TFSP) designed to provide technical assistance for related trade facilitation practices in line with the main components of the Bali agreement. These include customs and border management agency modernization and adoption of harmonized procedures to port infrastructure and forwarding/clearing.

However, much work is still needed. The TFSP only had a financial commitment of $30 million for June 2014 to June 2019, but the total bill for donors in additional technologies and training could be as much as $1 billion over five years. This will be the case if 100 developing countries come forward with trade facilitation "wish lists" in the $10–$15 million range. A well-governed, working partnership among donors, companies, and developing country bureaucracies is needed to meet this gap.

Fixing trade facilitation is a long-term process, and a significant amount of political will on the part of developing countries is needed to overcome bureaucratic obstacles. 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, developing country bureaucracies, parliamentarians, and businesses ought to move forward on the trade facilitation agenda, and donors can play a leading role in helping them make this happen.

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