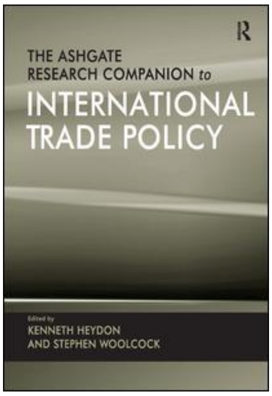

The Ashgate Research Companion To International Trade Policy

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Trade Facilitation

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Trade Facilitation

Andrew Grainger

Introduction

Complaints about excessive red-tape and bureaucracy are frequent in international trade operations. The volume of paperwork and hurdles in ensuring compliance with set trade and customs procedures can be extensive.[1] Efficient and timely trade operations are all too often made dependent on the ability to manage trade and customs compliance effectively – preferably electronic and automated. The potential gain to be had from procedural reform is significant. Each 1 per cent reduction in trade-related transaction costs is estimated by the OECD to yield a worldwide benefit worth US$43 billion (OECD 2003). In countries with high levels of perceived bureaucracy, opportunity for trade facilitation-focused reform is particularly great. Trade facilitation promises improved business competitiveness, accelerated trade-led growth, a more streamlined and service-orientated public administration, as well as more efficient revenue collection and tighter security.

Described in the simplest of terms, trade facilitation is about making international trade operations as simple and easy as possible. As such, trade facilitation is nothing new. Many ideas underlying trade facilitation are as old as trade itself. Keen observers of administrative and commercial practice can easily find evidence of trade facilitation throughout history. For example, many medieval market towns in Europe kept public displays of applicable weights and measures to which, in the event of any dispute between traders, authoritative reference could be made.[2] Providing access to such public standards is free; they can significantly reduce the cost of conducting business transactions. Another example of early trade facilitation is the ancient customs stone at Ephesus,[3] which describes the customs regulations that were applicable during Roman times (Cottier et al. 2008).

1 For example, see George et al. 2009.

2 In the city of Bern in Switzerland such weights and measures are still on display today.

3 It is commonly referred to by historians as ‘the Monument from Ephesus’, which is now kept at the Ephesus Archaeological Museum in Sleçuk, Turkey.

Like today, public access to applicable trade and customs regulations ensures that traders know how to comply. In contrast, the absence of published rules and procedures creates uncertainty, provides unnecessary opportunity for the solicitation of bribes, greatly increases commercial risk and inhibits any trader's appetite for trade across borders.

Moving on from history, the topic of trade facilitation has, over the last decade, established itself as a central theme within mainstream trade policy (Grainger 2011). In light of falling tariff levels and a shift in trade policy towards the non-tariff area, this trend is probably not surprising. The World Trade Organization (WTO) formerly started discussing trade facilitation in 1996 as one of the four Singapore Issues; although, as stated in the General Agreement on Tariffs and Trade (GATT) preamble (GATT 1947), the substantial reduction of non-tariff barriers has always been a key objective. While three of the original four Singapore Issues have been dropped,[4] appetite for negotiating trade facilitation remains strong. Formal negotiations commenced in November 2004 with initial focus on Articles V, VIII and X of the GATT (1994), covering Freedom of Transit, Fees and Formalities, and Publication and Administration of Trade Regulations. Negotiation text is now in a reasonably advanced form (WTO 2010), though negotiations are closely linked to trade development and capacity-building type concerns. Subsequent sums allocated to narrowly defined trade facilitation capacity-building programmes have risen from US$100 million in 2001 to US$392 million in 2006 (WTO/OECD 2010). While detailed figures are difficult to compile, sums spent on closely related trade infrastructure and modernization programmes, which in themselves contain substantial trade facilitation–related components, are likely to be in the order of many billion dollars (OECD 2006).

Similar policy momentum towards trade facilitation can also be observed within regional as well as national trade and customs modernization programmes. For example, the European Union is currently in the process of radically overhauling its customs infrastructure with the aim of bringing together national customs administration systems more efficiently through use of modern technology (TAXUD/477/2004), generally referred to as the electronic customs initiative. Equally ambitious is the commitment by ASEAN leaders to develop interoperable Single Window systems (ASEAN 2005) that, if fully implemented, will radically reduce the cost of exchanging information such as trade and customs declarations between traders and regulatory authorities (UN/CEFACT 2004). Some national trade and customs systems, such as Singapore's TradeNet (Applegate et al. 1993; Teo et al. 1997) or Korea's uTradeHub[5] are often cited as being particularly inspirational. Motivation for such projects is to modernize current administrative systems and increase trade competitiveness by reducing the cost of complying with trade and customs procedures.

[4] The three issues dropped from the original Singapore package were transparency in government procurement, investment and competition policy.

[5] See www.utradehub.or.kr.

Supply chain security is another topic closely linked with trade facilitation (IMO 2003; WCO 2007). Relatively recent terrorist events that have fuelled public concern, such as the Lockerbie Bombing in 1988 or 9/11 in 2001, are now forcing policymakers to revisit the effectiveness of controls and procedures at national borders. They fear that the transport infrastructure carrying goods could be misused for terrorist purposes; be it, for example, to deliver destructive weapons or in the context of smuggling and clandestine cross-border movements (Flynn 2002). Many regulatory agencies now want to identify risks before goods move (Grainger 2007a). Trade facilitation is viewed as a means to make tighter controls more palatable to business communities (UNECE 2003). The debate between security and facilitation is often presented as an 'either-or' to which policymakers need to find the right balance. An alternative and more appropriate view is that the application of trade facilitation concepts – such as audit-based controls, risk management control techniques (Widdowson 2005) and preferential treatment of trusted, authorized economic operators (WCO 2007) – can improve overall enforcement and reduce compliance cost (Grainger 2008b).

To some extent trade facilitation may also be described as a trade policy agenda item made necessary by exponentially growing volumes in trade over the last few decades, thanks in part to ever-falling trade tariffs. This jars somewhat with the fact that inspection resources remain finite. To accommodate growing trade volumes with finite inspection resources, control strategies have to be made more effective and smarter. The traditional control paradigm, rooted in the image of a boom barrier and inspectors rummaging through cargo, has become somewhat outdated, especially in light of growing demands for tighter security without disrupting global production. In consequence, greater collaboration between the public and private sector is one of the key ingredients in any trade facilitation strategy (Grainger 2010).

At present there is no single definition for trade facilitation. As highlighted by the OECD (2001) a number of international organizations have made suggestions. For example, the WTO in an online training package once defined it as 'the simplification and harmonisation of international trade procedures' where trade procedures are the 'activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade' (WTO 1998). Procedures might be official in nature, for example in relation to complying with governing rules and regulations, or commercial in nature, for example the arrangements relating to payment between two contracting business parties. For most proponents of trade facilitation it is a topic that looks at how procedures and controls governing the movement of goods across national borders can be improved to reduce associated cost burdens and maximize efficiency while safeguarding legitimate regulatory objectives (Grainger 2011). Brian Staples very appropriately describes trade facilitation as the plumbing of international trade (Staples 2002); or as SITPRO, the former UK trade facilitation agency, once clarified in its tagline: trade facilitation is about 'cutting "red-tape" in international trade'.

Trade Operations

Indeed, there is a lot of red-tape in international trade. As most freight forwarders are likely to assert, the document in-tray can all too easily present itself as the most disruptive bottleneck in international transport operations. Mismatched reference numbers, missing supporting documentation, incomplete declarations and congested inspection facilities can easily bring shipments to a halt – even in the best managed economies. Cross-border operations tend to be complex, requiring a multitude of parties to work together. Amongst contracting business parties these can include:

- Traders, such as buyers, sellers, their agents and distributors.
- Transport operators, such as shipping lines, airlines, railway companies, logistics and trucking companies.
- Providers of trade services, such as banking, finance and insurance.
- Operators of transport infrastructure, such as port terminals, airports, stevedores and handling agents, warehouses and electronic information systems.
- Specialist service providers, such as freight forwarders, shipping agents and logistics service providers.

The regulatory side of trade is equally diverse. While most trade and customs procedures are specific to the control of goods, related controls targeting the vehicles moving the goods (transport) and people operating the vehicles (drivers, seafarers, flight crews) or running the companies (owners, directors and employees) can be equally – if not more – disruptive. Typically, regulatory procedures with an impact on cross-border operations can be classified into five groups: (1) Revenue Collection; (2) Safety and Security; (3) Environment and Health; (4) Consumer Protection; and (5) Trade Policy (see Figure 7.1).

Institutional arrangements for applying regulations vary greatly from country to country. Although the lead body is frequently customs, immigration and quarantine inspectors are often equally visible. There are however many other, usually less visible, executive bodies and agencies, too. Ministries, apart from customs, with a direct or indirect interest in trade facilitation typically include: finance, trade, transport, industry, home or internal affairs, police, immigration, forestry,[6] agriculture, fishery, planning and investment, information and communications, trading standards, health and safety, and statistics. In the United Kingdom, to give an example, it is easy to count more than 60 rules and procedures that can potentially apply (Grainger 2007a). Depending on how one counts the operational steps necessary for complying with each of the procedures, this number is probably much higher (Grainger 2007b). Figure 7.2 highlights some

[6] Timber is one of the most prevalent packaging materials in international trade, frequently used as dunnage, for crating, and palletization. Forestry inspectors are likely to worry about parasites and diseases carried in untreated wood products.

Regulatory Category	Examples of Related Activity
Revenue Collection	Collection of Customs duties, excise duties and other indirect taxes; payment of duties and fees; management of bonds and other financial securities
Safety and Security	Security and anti-smuggling controls; dangerous goods; vehicle checks; immigration and visa formalities; export licences
Environment and Health	Phytosanitary, veterinary and hygiene controls; health and safety measures; CITES controls; ships' waste
Consumer Protection	Product testing; labelling; conformity checks with marketing standards (e.g. fruit and vegetables).
Trade Policy	Administration of Quota restrictions; Agriculture refunds

Figure 7.1 Regulatory categories and examples
Source: Grainger (2011).

of the documentary requirements that may be relevant to imports into the UK. Important to add is that trade and customs procedures do not only apply at home; they are equally prevalent in both source and destination countries (George et al. 2009). For landlocked countries transit procedures add a further dimension to potential complexity and cost. Figure 7.3 provides a brief overview of some of the procedures that may apply in any given landlocked country.

For businesses the act of compliance with regulatory requirements has both direct and indirect cost implications (OECD 2003). Direct costs are those that apply immediately when collecting, producing, transmitting and processing documents as well as the information necessary to complete those documents (or their electronic equivalent). Further costs include associated charges and fees, including the costs of setting up bonds and guarantees, laboratory tests and test certificates, inspection fees, and stamp charges. Commercial organizations frequently add their own service fees, including labour and handling charges for moving goods to inspection and storage facilities, demurrage charges, and out-of-hours surcharges. Many companies are likely to instruct third parties to manage compliance operations on their behalf. These types of specialist service providers include freight forwarders, customs brokers, logistics service providers and IT vendors (supplying electronic data management solutions); they, too, will add to their fees.

Indirect costs are subsequent to direct costs. These are often less tangible, but nevertheless very real – and often a greater barrier to trade than the direct costs. They include the costs resulting from delay at the border, missed business opportunities and undermined business competitiveness. It may be a cliché, but the damages for a shipper of turkeys who misses Christmas will be dire. Indirect costs are often the result of missing or contradictory documentation (for example

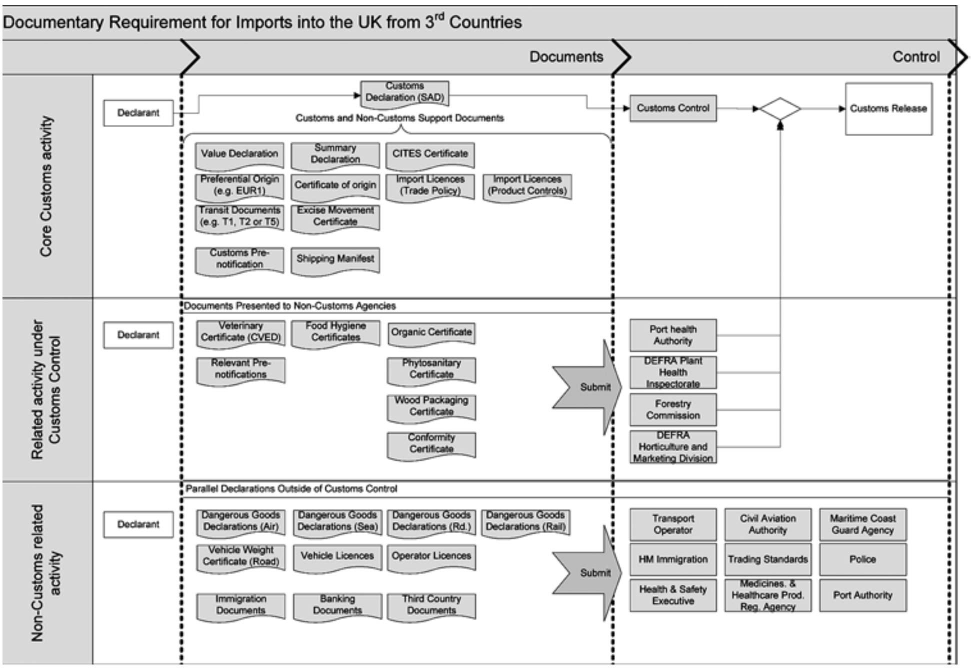

Figure 7.2 Documentary requirements for imports into the UK
Source: Grainger (2007b).

non-matching reference numbers amongst accompanying documents), delay by government authorities, congestion at inspection facilities, or overall heavy-handedness applied by executive agencies. Trade facilitation seeks to reduce the direct and indirect costs for business; though efficiency gains can be of equal benefit to regulatory authorities, too.

Key Institutions

A wide range of international institutions are applying themselves to the topic of trade facilitation. Their output of trade facilitation recommendation is long (Grainger 2011; UN/CEFACT and UNCTAD 2002) and extends from standards for trade documents and electronic communications to best-practice administrative systems (UN/CEFACT 2004), private sector consultation arrangements (UN/CEFACT 1974) and control practices (WCO 2007). Guiding principles underlying all trade facilitation measures tend to be the simplification, harmonization, standardization and modernization of trade procedures. Trade facilitation ideas can

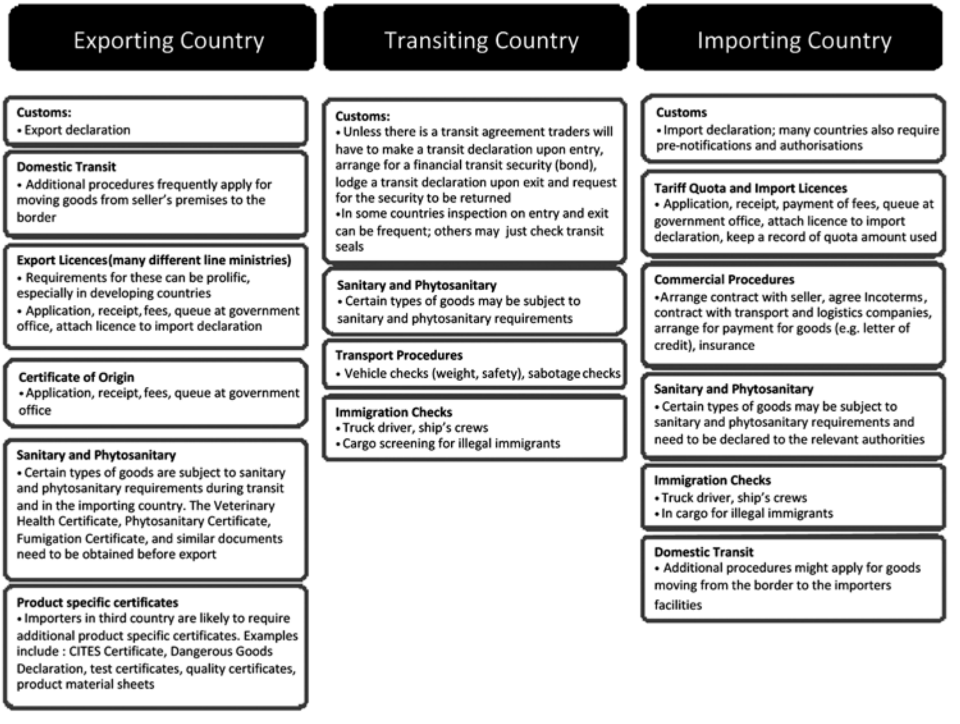

Figure 7.3 Illustrative example: Trade and customs procedures for exports from a landlocked country
Source: Author.

be categorized into four interdependent elements. They are: '1) the simplification and harmonization of applicable rules and procedures; 2) the modernization of trade compliance systems, in particular the sharing of information and lodgement of declarations between business and government stakeholders; 3) the administration and management of trade procedures; and 4) the institutional mechanism to safeguard the effective implementation of trade facilitation principles and the ongoing commitment to reform' (Grainger 2011).

Particularly prolific at the international level is the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT). It currently looks after 35 trade facilitation recommendations. UN/CEFACT is located in Geneva within the United Nations Economic Commission for Europe[7] (UNECE). Other groups within the UNECE also concern themselves with trade facilitation. For example, together with the International Road Transport Union the UNECE is responsible for the Road Transit Convention and UNECE's Working Party 7 looks after

7 Irrespective of its location, UN/CEFACT's remit is global.

agriculture quality standards that are relevant to the enforcement of horticulture and marketing standards. Standardized procedures for the transport of dangerous goods (flammable, toxic, corrosive, explosive[8]) also form part of the UNECE's work programme.

In view of the prominent role played by customs administrations, the World Customs Organisation (WCO), based in Brussels, is of particular significance. It maintains and supports a number of international instruments that seek to harmonize, simplify and modernize customs procedures. Noteworthy instruments include the Harmonised Commodity Description and Coding System for tariff classification (commonly referred to as the HS code) and the Revised Kyoto [Customs] Convention on the Simplification and Harmonisation of Customs Procedures. Working with the WTO, the WCO is also responsible for the interpretation of valuation rules under GATT Article VII and the non-preferential origin rules under the WTO Agreement on Rules of Origin. Specific to security and trade facilitation is the WCO's SAFE framework of standards (WCO 2007).

Sector-specific international organizations of note that have an interest in trade facilitation include the International Organization for Standardization (standards for handling equipment, but also for management systems such as ISO 28000), the International Maritime Organization (IMO 2011), the International Chamber of Shipping (shipping documents), the International Civil Aviation Organization and the International Air Transport Association (Smith and Moosberger 2009), the International Road Transport Union (transit procedures) and the International Chamber of Commerce (ICC). The ICC is particularly active in the area of commercial procedures, such as those governing trading terms (ICC 2010) and the use of letters of credit (ICC 2006).

The WTO, as outlined earlier, has been looking at trade facilitation in greater detail since 1996. Member proposals (WTO 2009) and the subsequent negotiating text (WTO 2010) are now reasonably mature and draw heavily on the work prepared by the organizations referred to above. The negotiating text includes ideas such as measures to ensure that rules and regulations are published and publically accessible, for instance via a website; the establishment of national enquiry points; commitments to active consultation with public and private sector stakeholders (Grainger 2010); use of advance rulings that cannot be overturned by executive officers at the border;[9] the right to appeal rulings and decisions taken by executive agencies; discipline relating to the setting of fees (such as for stamping documents or testing goods) and the scale of penalties (including provisions to correct inadvertent mistakes); pre-arrival processing; risk-based controls (Widdowson 2005); simplified customs procedures (WCO 2006); preferential procedures for authorized businesses (WCO 2007); cooperation between WTO members to reduce duplication (such as between import and export controls); use of international

[8] This can include seemingly innocent and common products such as alcohol, hay, flour, pressurised gasses, and hospital waste.

[9] The Binding Tariff Information as used in the European Union, provides one such example.

document standards or their electronic equivalent (UN/CEFACT 1981); the use of single window systems (UN/CEFACT 2004); to draw on commercial documents (such as the invoice) in lieu of official control documents; and the freedom of transit with minimal disruption.

Economic bodies with a remit in development or cooperation play a role, too. The World Bank for instance has provided substantial intellectual capital as well as financial resources. Noteworthy background publications include the World Bank's Customs Modernisation Handbook (De Wulf and Sokol 2005) and the Border Management Modernization guide (McLinden, et al. 2010). The Organization for Economic Cooperation and Development (OECD 2003, 2009; WTO/OECD 2010) and United Nations Conference on Trade and Development (UNCTAD 2006a, 2006b) have also provided valuable research. Further contributions with a more regional focus on the trade facilitation debate have been provided by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP 2004, 2009), Asia–Pacific Economic Cooperation (APEC) (Wilson et al. 2003), the Asian Development Bank (ADB) (ADB 2009; Ujiie and ADB 2006) and the Greater Mekong Subregion (UNESCAP 2002), amongst others. The website of the Global Trade and Transport Facilitation Partnership[10] provides helpful links to a long list of further documents.

Trade Facilitation in Practice

The prevalence of international recommendations and instruments might suggest that the topic is very much driven by an orchestrated international effort. The truth however is that trade facilitation has its roots in the operational frustrations experienced by traders. It is about reducing and eliminating the operational frustrations and costs that they experience. As such there are two approaches to trade facilitation. The first is top-down and the second is bottom-up. They are both equally relevant.

The top-down approach to trade facilitation is largely driven by international recommendations and instruments as outlined above. It is about implementing perceived 'best practice' rather than overcoming experienced operational frustrations and tends to be directed from above. The donor community often adopts top-down approaches to trade facilitation, allocating significant sums for the implementation of specific trade facilitation measures that are in compliance with set international recommendations and standards.

The bottom-up approach to trade facilitation takes its premise from the operational frustrations experienced by the business community. It begins at the 'grassroots' level and escalates issues to a level where they can be effectively resolved. For example, some remedies to operational problems require national, regional or international coordination – such as, for example, the recognition

10 See www.gfptt.org.

of official certificates issued by different countries, the harmonization and standardization of trade documents and data elements to enable the development of electronic systems, and cooperation between enforcement agencies on both sides of the border to reduce the number of inspections (such as in the form of jointly operated inspection posts). Where suitably followed through, for example within the UN/CEFACT committees, such lobbying can on occasion lead to the draft of an international recommendation. Many operational issues are however of a more local nature and do not need to be escalated to higher policy levels. These can, to give a few examples, relate to how the queue is managed at a port gate, the opening times of a particular customs office, the performance and service provided by executive officers at a particular location, or technical specifications for an electronic customs system.

Given the complexity of the trade environment and its many public and private sector stakeholders, obstacles to reform are frequent. In fact, one question worth asking is why has trade facilitation taken so long to establish itself as a mainstream agenda item? The answer is likely to lie with the many obstacles that any trade facilitation initiative will face. Obstacles include: (1) conflicting or opposing interests; (2) institutional limitations; and (3) lack of knowledge (Grainger 2008a).

Given the diversity of stakeholders in the trade environment, conflicting or opposing interests are inevitable. For example, the implementation costs for trade facilitation measures are unlikely to be evenly distributed. For instance, an electronic customs system that could produce significant cost savings for a business that trades frequently may prove prohibitive for a business that only trades occasionally. For the latter old-fashioned paper documents may still be the cheapest way of submitting and sharing information with government authorities. Sometimes benefits are not distributed evenly either. For instance, benefits conferred to a port operator may not necessarily be passed on to freight forwarders or traders further down the supply chain. Another example involves the more old-fashioned breed of enforcement officers, who have been trained to be suspicious of every movement. They may find collaborative enforcement strategies, as postulated by many supply chain security programmes, less palatable. Then there are those human elements that give rise to conflicting interests, especially the fact that one person's simplification can easily be another person's redundancy. Vested interests can add yet a further dimension to the potential cocktail of conflicting and opposing interests. Vested interests may be derived from opportunities for rent-seeking behaviour, for example where legislation requires declarations to be submitted by nominated licensed individuals; gold-plating by commercial service providers, for example by exploiting customers' difficulties in fathoming true trade-compliance costs; or, the solicitation of 'facilitation monies' by officials to shortcut bureaucratic inefficiency.

Institutional limitations largely relate to the conflict between the very dynamic nature of commercial activity and subsequent business requirements, and the much slower mechanisms that are available to reform trade and customs procedures. While operational practice or requirements can change rapidly, the process to amend rules and regulations is usually less dynamic. It does not help that trade facilitation is often viewed by policymakers as a technical issue – especially where IT is concerned – and is often delegated to ranks that are unable to effect necessary changes to governing legislation, rules and procedures. The practice of delegation to technical ranks can be equally frustrating where trade facilitation projects, such as the implementation of a Single Window (UN/CEFACT 2004), require budgetary coordination at the ministerial level. Another limitation might be the distance between the capital and the borders. While policy may be guided by top-down international recommendations, their implications at the operational level may not be understood. Similarly, operational frustrations experienced at the border may not necessarily be effectively communicated back to the capital.

The lack of knowledge is a particularly grave issue, especially where reform is dependent on robust cost–benefit analysis. Even for practitioners the assessment of costs and benefits can be a challenge, especially given the dynamic nature of business requirements and conflicting interests. At present there is comparatively little research to draw on. Most research is dependent on economic models (OECD 2003; Wilson et al. 2005) and fails to look at the operational practices in any great detail. This can make prioritization of reform initiatives particularly problematic, especially in instances where policymakers fail to appreciate the complexity and intricacies of conflicting or opposing stakeholder interests. In contrast, there is a large supply chain management literature that looks at international production networks – including the quality and transaction costs between business partners – but with very few exceptions (Appels and de Swielande 1998; Grainger 2007b; Haughton and Desmeules 2001; Jones and Crum 1995; Sheu et al. 2006; Verwaal and Donkers 2002, 2003) this literature has not yet applied itself to looking at the interfaces with government executive agencies.

Overcoming Obstacles

While international pressure to address trade facilitation is growing (thanks in part to the WTO but also in response to emerging supply chain security initiatives in major export markets), trade facilitation measures still need to be developed and implemented. As outlined, there is a top-down and bottom-up approach to trade facilitation. The real challenge is to be able to make informed decisions about implementing trade facilitation measures and overcoming obstacles. The economic prize is high. The OECD (2003), for example, calculates that each 1 per cent reduction in trade-related transaction costs equates to a worldwide benefit of US$43 billion, and estimates that trade transaction costs can be anywhere between 2 per cent and 15 per cent of the value of imported goods. Apart from transaction cost savings and improved business competitiveness, countries that succeed in implementing trade facilitation measures are likely to gain efficiencies in administrative practice, too; crucial for customs duty dependent developing countries is that by making compliance with procedures easier, revenue collection yields can be improved (Geourjon and Laporte 2005).

A national trade facilitation strategy is a good starting point for rolling out a trade facilitation programme – informed by international best practice and the operational frustrations experienced by business stakeholders. The role of policymakers is then to balance the conflicting interests between stakeholders and the multiple policy levels (national and international). Of course obstacles such as institutional limitations and lack of knowledge need to be overcome, too. A pragmatic approach includes the establishment of a national trade facilitation body as well as a coordinated effort towards ensuring that trade facilitation is mainstreamed.

National trade facilitation bodies are invaluable for elevating operational frustrations to the right policy level, or for consulting with the private sector about how international recommendations can be best applied. More specifically, the purpose of such national trade facilitation bodies as outlined in UN/CEFACT Recommendation 4 (UN/CEFACT 2001) is to identify issues affecting the cost and efficiency of their country's international trade; develop measures to reduce the cost and improve the efficiency of international trade; assist in the implementation of those measures; provide a national focal point for the collection and dissemination of information on best practices in international trade facilitation; and participate in international efforts to improve trade facilitation and efficiency. Such bodies can also help fill in gaps about knowledge and become in themselves centres of expertise about the operational and institutional specifics governing the trade environment.[11]

Mainstreaming of trade facilitation is another necessary step to ensure that concepts are understood across government departments responsible for trade policy and operations. At present there is no international recommendation about how mainstreaming should be achieved, but pragmatic elements include the training of executive staff about commercial practices and trade facilitation measures, the appointment of champions (to promote trade facilitation within their ministries and departments), and a coordinated effort towards identifying operational problems and solutions – for instance through extensive consultation and working with the national trade facilitation body (Grainger 2010).

Conclusion

As shown in this chapter, trade facilitation is nothing new; the momentum gained currently in trade policy, however, is. Although trade facilitation ideas have often manifested themselves in the form of international recommendations by the likes of UN/CEFACT and WCO, it remains a topic that is essentially rooted in the operational experiences (and frustrations) of internationally operating businesses. The trade environment has many stakeholders. These include traders, transport

[11] This chapter's author was the Deputy Director Trade Procedures at SITPRO, the UK's former trade facilitation agency.

operators, transport and logistics service providers as well as operators of transport infrastructure. On the regulatory side, customs is often the lead agency, but many other government agencies are likely to have an equal, if not more disruptive, impact on efficient cross-border operations. Trade facilitation seeks to make improvements. While obstacles to implementing trade facilitation measures can be considerable, their resolution yields competitive advantages for the business community as well as efficiency gains for the administrations. This makes the topic of trade facilitation particularly pertinent to developing countries who wish to attract foreign investment and pursue strategies of trade-led growth.

Important to note is that given the dynamic nature of the business environment trade facilitation should be viewed as a continuous effort where operational frustrations provide the impetus for reform (Figure 7.4). International recommendations and instruments are helpful, especially where coordination and cooperation between countries is required. However, many operational problems have a local element and do not necessarily need to be escalated to higher policy levels. Very few countries currently have established strong national trade facilitation bodies. Given the operational nature of trade facilitation (as opposed to the economic analysis traditionally associated with trade policy) setting up and strengthening suitable national trade facilitation bodies is something that will have to be addressed.

The research community also has a responsibility; as outlined earlier, the lack of knowledge does present a major obstacle. However, addressing trade facilitation as an economic problem alone (and reliance on economic models) will not suffice. The devil is, like so often, in the detail and any body of research will have to be of an interdisciplinary nature – as argued by Tom Butterly (2003), trade facilitation is

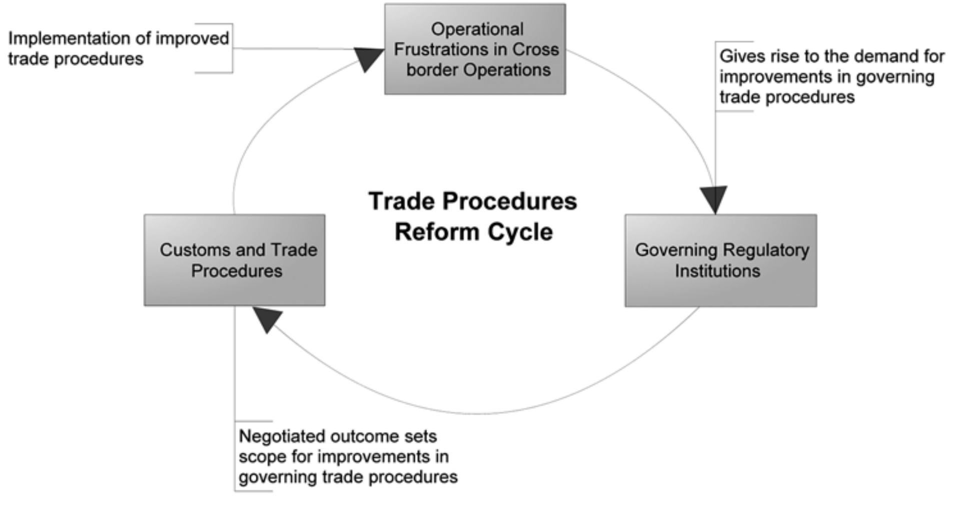

Figure 7.4 Trade procedures reform cycle
Source: Grainger (2007a).

at once a political, economic, business, administrative, technical and technological issue. The topic of trade facilitation provides much opportunity for aspiring researchers!

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