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**The costs of trade facilitation
measures**

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The importance of the cost issue

- "... the extent and the timing of entering into (trade facilitation) commitments shall be related to the implementation capacities of developing and least-developed Members.*
- ... negotiations ... shall also address the concerns of developing and least-developed countries related to the cost implications of proposed measures.*
- ... (developed Members should) ensure support and assistance directly related to the nature and scope of the commitments in order to allow implementation."*

(WTO Ministerial Decision of 01.08.2004 - Annex D)



Methodological challenges: measuring and comparing costs

- **Cost elements difficult to isolate**
 - ✓ Assistance to assess the resource requirements of each measure (domestic and TA&CB)
- **Assess costs and benefits on a comparable time scale**
 - ✓ Benefits usually spread over a longer time period
- **How to assess the cost-effectiveness of measures**
 - Need for performance indicators



General observations

- Trade facilitation part of larger modernisation programs;
 - ✓ Costs absorbed through normal operating budgets
 - ✓ Importance of political momentum
- Starting point affects the cost and impact of new measures
 - ... but benefits proportionally higher where the starting point is low;
- Coherent implementation is critical
 - ✓ Factor in linkages between interdependent measures.



A promising reform agenda

- Virtuous circle between efficiency enhancement and trade facilitation;
 - ✓ Improving cost-to-collection ratios and compensating for tariff reductions
- Costs offset by staff savings and revenue collection improvements;
 - ✓ Enquiry points / Risk management
- Low cost /high return measures
 - ✓ Transparency / Public consultations

Main challenges

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- **Sustainability**
 - ✓ Political momentum
 - ✓ Operating and maintenance costs
 - **Public/private relationship and trust**
 - ✓ Dialogue improves compliance prospects
 - **Cooperation between agencies**
 - ✓ Differing progress levels and operating philosophies
 - **Regional cooperation**
 - ✓ Interconnectivity
 - ✓ Control coordination



The most costly measures

- Risk assessment
- Audit-based controls
- Authorised traders
 - ✓ Recruitment and training of specialised staff
 - ✓ Equipment
 - ✓ Time for satisfactory implementation
- Advance lodgement and processing of data
 - ✓ Customs automation



Publication and availability of information

- Relatively inexpensive and widely applied measure, bringing important benefits in terms of predictability and confidence building
- Particulars :
 - ✓ Information availability in a third language
 - ✓ Internet publication
 - ✓ Enquiry points
 - ✓ Binding rulings



Pre-arrival clearance

- Pre-arrival clearance requires some automation; but the relevance of IT systems goes beyond trade facilitation
- Important savings through the reduction of clearance staff
- Upgrading and maintenance costs; need to develop local expertise



Risk management/analysis and post-clearance audits

- **Challenges :**
 - ✓ Considerable infrastructure and training requirements
 - ✓ Slow pace of introduction
 - ✓ The problem of the informal sector
- **High benefit potential**
 - ✓ Reduction of inspection rates
 - ✓ Improved effectiveness of fraud control



Thank you

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