OECD Trade Facilitation Indicators: An overview of available tools

What are the OECD Trade Facilitation Indicators?

To help governments improve their border procedures, reduce trade costs, boost trade flows and reap greater benefits from international trade, OECD has developed a set of **trade facilitation indicators (TFIs)** that identify areas for action and enable the potential impact of reforms to be assessed. The OECD indicators cover the full spectrum of border procedures for more than 160 countries across income levels, geographical regions and development stages.

Estimates based on the indicators provide a basis for governments to prioritise trade facilitation actions and to mobilise technical assistance and capacity-building efforts for developing countries in a more targeted way. The TFIs also provide a tool for countries to visualise the state of implementation of various policy areas and measures included in the WTO Trade Facilitation Agreement, to monitor their progress since 2012 and to make comparisons with other countries or groups of countries of interest.

Two interactive web tools allow users to compare country performance across the 11 trade facilitation indicators, to discover the key measures driving the performance of a selected country, and to simulate the effects of potential policy reforms.

The potential impact on trade costs of the WTO Trade Facilitation Agreement

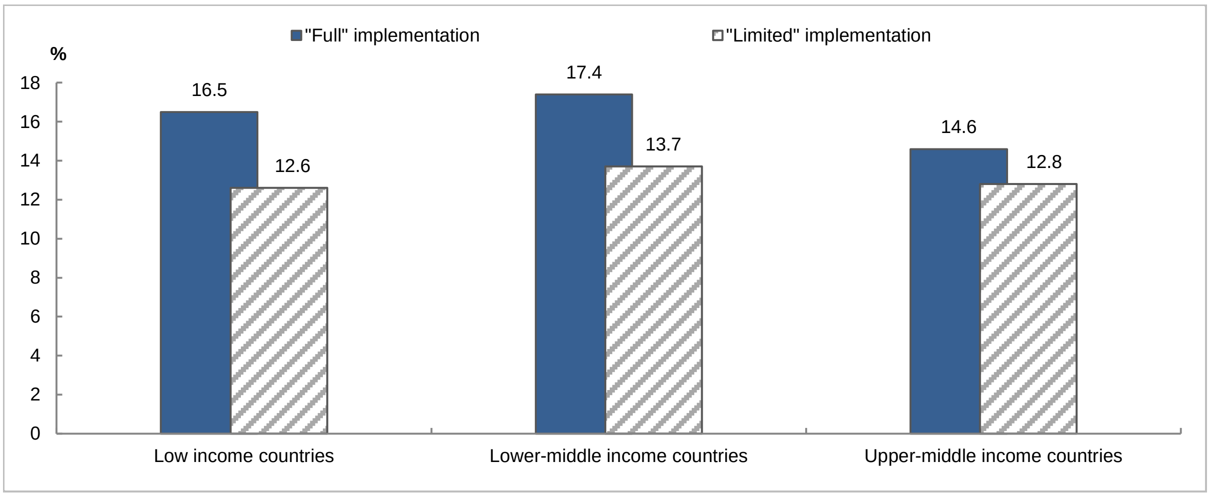
Analysis of TFI data shows that trade facilitation measures can benefit all countries whether they are exporting or importing goods by allowing better access to inputs for production and greater participation in the global value chains that characterise international trade today.

OECD calculations of the potential impact of the WTO Trade Facilitation Agreement (TFA) for various groups of countries are based on two distinct scenarios: a) a “full” implementation scenario where WTO Members would implement all the options contained in the Agreement, including those formulated on a “best endeavours” basis; and b) a “limited” implementation scenario where WTO Members would implement only the mandatory provisions contained in the Agreement, leaving aside discretionary provisions, but where countries that already implement best practices would continue doing so. These two scenarios seek to provide upper and lower bounds of potential trade cost reductions that are likely to be obtained through implementation of the Agreement. This impact will be strongly influenced by the way developing countries will categorize various measures and by the timeframes they will adopt for implementation. The calculations also identify the measures that may have the strongest potential to reduce trade costs for various groups of countries.

- The potential cost reduction from a “full” implementation of the WTO Trade Facilitation Agreement is16.5% of total costs for low income countries, 17.4% for lower middle income countries and 14.6% for upper middle income countries.
- If counties limit themselves to the mandatory provisions of the agreement, the potential reduction reaches 12.6% for LICs, 13.7% for LMICs and 12.8% for UMICs, 3.9, 3.7 and 1.8 percentage points less than if they “fully” implemented best practices. This scenario reveals significant opportunity costs for low and lower middle income countries, in particular.

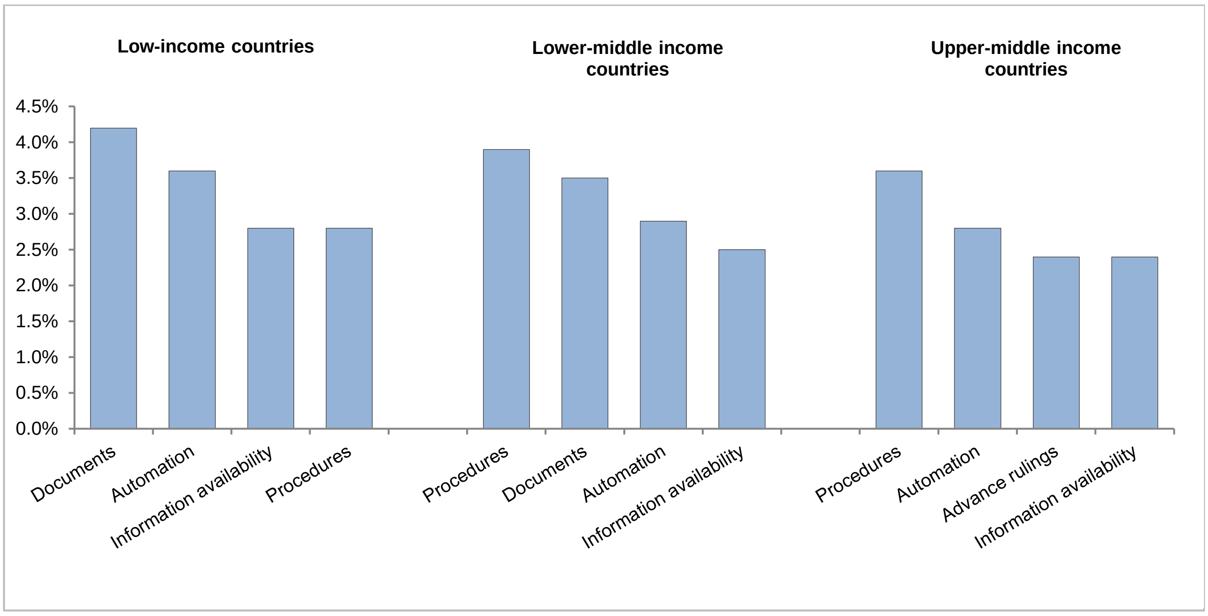
Details on estimates, data, methodology, sources and findings can be found at http://www.oecd.org/trade/facilitation/indicators.htm

Figure 1. Overall potential trade costs reductions by income group



Source: OECD (2015), "Implementation of the WTO Trade Facilitation Agreement: The Potential Impact on Trade Costs".

Figure 2. Potential trade costs reductions for the "top four" sets of measures



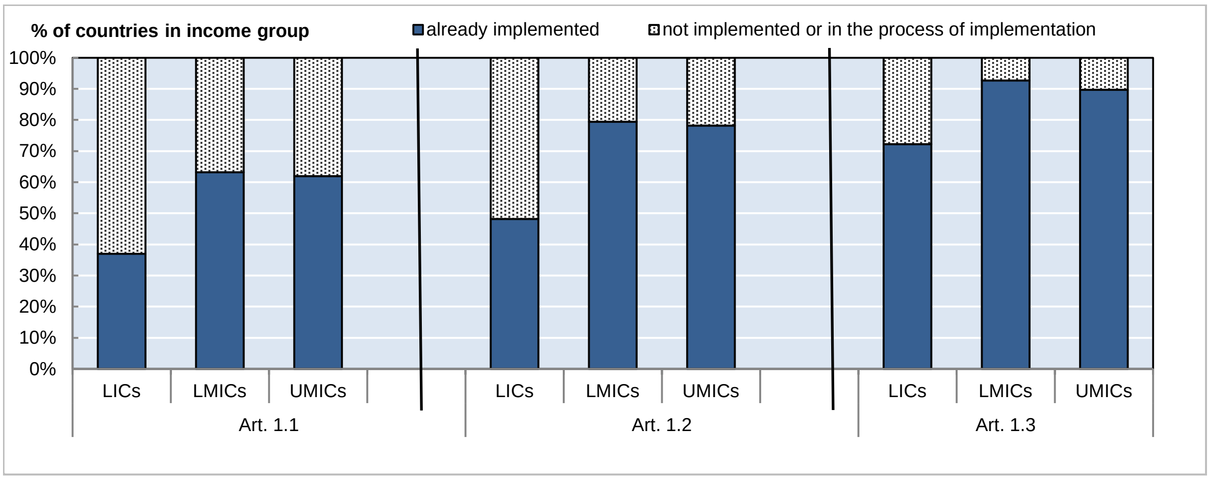
Source: OECD (2015), "Implementation of the WTO Trade Facilitation Agreement: The Potential Impact on Trade Costs".

The state of implementation of trade facilitation measures around the world

Analysis of the TFI data shows that several provisions of the WTO Trade Facilitation Agreement appear to be already implemented by several countries across all income groups. Illustrative examples of the state of implementation for selected TFA Articles are provided below. Concerned countries may wish to consider including measures they implement in their Category A notification so as to focus their efforts on improving policy areas and measures that are in the process of implementation or not yet implemented, and on identifying any technical assistance required to support implementation. Further distinctions among the remaining measures to designate Category B or Category C provisions can only take place through gap analysis at the country level, taking into account not only the state of implementation but also identifying the actions necessary to comply with the measure. Country-specific notes on the state of implementation can be provided by the OECD to countries upon request.

TFA Article 1: Publication and availability of information

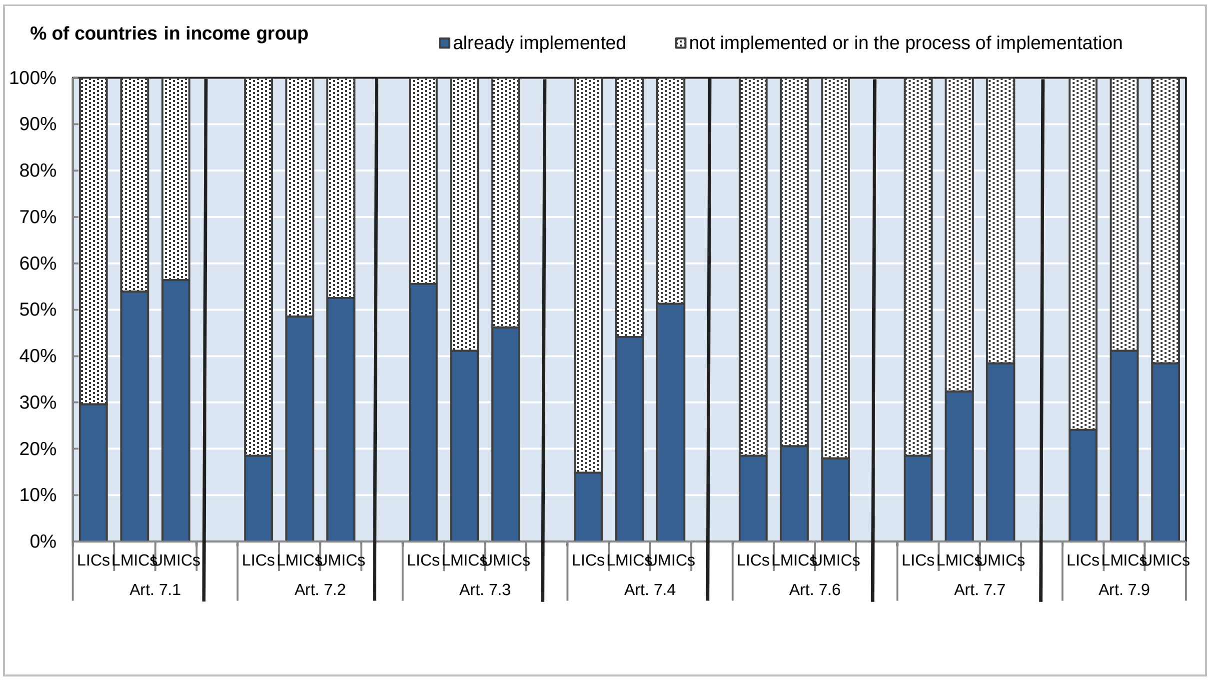
Article 1 is widely implemented among the sample countries. Among the types of information listed in Article 1.1, countries across all income groups widely publish about importation, exportation and transit procedures (1.1.a), and applied rates of duties and taxes (1.1.b). Lower and upper middle income countries widely publish about classification and valuation rules (1.1.d), appeal procedures (1.1.h), and agreements with third countries (1.1.i). Information available on Internet (1.2) and Enquiry Points (1.3) are well established in the majority of countries.



Source: Based on OECD TFIs database 2015.

TFA Article 7: Release and clearance of goods

Among provisions of Article 7, pre-arrival processing (7.1) and electronic payment (7.2) seem to be implemented by around half the middle income countries, while risk management measures (7.4) are implemented by around half of upper middle income countries. Separation of release from clearance (7.3) appears unrelated to income levels. The establishment and publication of average clearance times (7.6), measures for authorised operators (7.7), and measures for perishable goods (7.9) are still work in progress across income groups.



Source: Based on OECD TFIs database 2015.

Interactive tools

Compare your Country

The **Compare your Country** tool provides the possibility for users to access individual country profiles which display an overview of trade facilitation performance. The tool then enables the comparison, in a dynamic way, of a selected country with other countries belonging to the same income group or region as the selected country. The user can also visualise progress made by the selected country since 2012 across all TFI areas.

Note: The Compare your Country tool can be accessed at: http://www.compareyourcountry.org/trade-facilitation

TFIs Policy Simulator

The **Policy Simulator** allows the user to quickly obtain an overview of the indicators and the key measures driving the performance of a selected country and to compare the selected country with other countries. It also allows for the simulation of potential policy reforms: by modifying the data in specific policy areas, the user obtains an "edited" performance bar, showing the impact of policy modifications on the overall performance index of the selected country and on its relative performance in comparison to third countries. The tool provides the possibility of sharing the information obtained or referencing the specific selection, as well as downloading the selected data.

Note: The TFIs Policy Simulator can be accessed at: http://sim.oecd.org/Default.ashx?lang=En&ds=TFI

Implementing trade facilitation measures: Costs and challenges

The capital investment and operating costs of implementing the trade facilitation measures featured in the OECD TFIs are relatively low compared to the potential benefits they bring. Trade facilitation measures introduce new ways to fulfill traditional mandates of border agencies, thereby making them more efficient and effective. The expense of streamlining and simplifying procedures needs to be viewed against the potentially significant gains in terms of trade cost reductions.

Introducing and implementing trade facilitation measures involves costs and challenges in one or more of the following areas: diagnostics, new regulation, institutional changes, training, equipment and infrastructure, and awareness-raising and change management. Of these, equipment and infrastructure are often the most expensive although training appears to be the most significant as trade facilitation is primarily about changing the way border agencies do business. A recent OECD review of the costs and challenges of trade facilitation measures incurred by a number of developing countries found that the total capital expenditure to introduce trade facilitation measures ranged between USD 5 and USD 25 million, while annual operating costs directly or indirectly related to trade facilitation did not exceed USD 3.5 million.

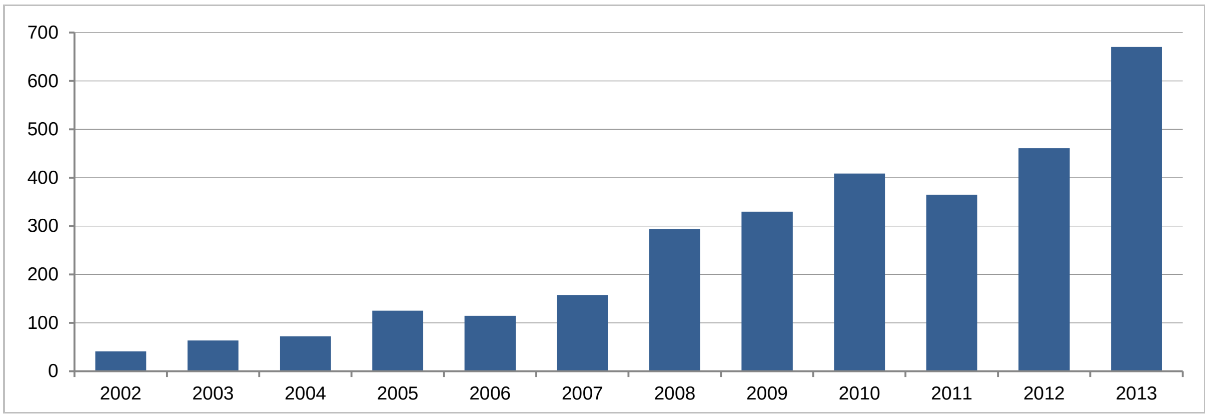
Measures that entail a significant upfront investment are not necessarily costly to operate once they are launched; the best example is a single window mechanism for submission of documentation. Some measures may be relatively inexpensive to put in place but raise challenges in terms of actual enforcement and in terms of their sustainability in the long run. Overcoming resistance to change requires political will and sufficient time, in addition to technical and financial assistance.

What support is available to help countries implement trade facilitation measures?

Expenses for purchasing equipment, training officials and putting in place new measures have benefitted from substantial technical and financial assistance for trade facilitation over the last decade. Since 2005, approximately USD 1.9 billion has been disbursed in aid for trade facilitation.

Donor commitments directed to simplifying and modernising border rules and procedures reached USD 670 million in 2013, an almost eightfold increase from the 2002-05 base-line average. The largest beneficiary was Africa, which received USD 268 million in 2013, a 25-fold increase over a ten-year period. With just one exception in 2011 when it dipped as a result of the financial crisis, aid for trade facilitation has been growing strongly and bounced back with a 26% increase in 2012. In addition, the equipment and infrastructure needs of trade facilitation reforms have also benefited from the substantial funds directed to trade-related infrastructure, with USD 18.7 billion devoted to transport and storage and USD 1 billion devoted to communications in 2013.

Figure 3. Commitments 2002-13 (USD million, 2013 constant prices)



Source: OECD-DAC Aid activities database (CRS), under the "trade policy and regulations; trade facilitation" purpose code.

The **Aid for Trade Facilitation Interactive Database** provides information on donor countries' trade facilitation aid projects as reported to the OECD Creditor Reporting System (CRS). Users can search the information by country and year, download data, compare and see project descriptions. The database can be accessed at: http://www.oecd.org/trade/aft/

About the OECD Trade Facilitation Indicators

OECD has developed a set of indicators to assess trade facilitation policies, including the following:

Information Availability	Enquiry points; publication of trade information, including on Internet
Involvement of the Trade Community	Consultations with traders
Advance Rulings	Prior statements by the administration to requesting traders concerning the classification, origin, valuation method, etc., applied to specific goods at the time of importation; the rules and process applied to such statements
Appeal Procedures	The possibility and modalities to appeal administrative decisions by border agencies
Fees and Charges	Disciplines on the fees and charges imposed on imports and exports
Formalities – Documents	Acceptance of copies, simplification of trade documents; harmonisation in accordance with international standards
Formalities – Automation	Electronic exchange of data; use of risk management; automated border procedures
Formalities – Procedures	Streamlining of border controls; single submission points for all required documentation (single windows); post-clearance audits; authorised economic operators
Internal Co-operation	Control delegation to Customs authorities; co-operation between various border agencies of the country
External Co-operation	Co-operation with neighbouring and third countries
Governance and Impartiality	Customs structures and functions; accountability; ethics policy

Further Reading

Contribution of Trade Facilitation Measures to the Operation of Supply Chains (May 2015)
http://oe.cd/trade-papers

The Costs and Challenges of Implementing Trade Facilitation Measures (May 2013)
http://oe.cd/tfi-dev

The Potential Impact of Trade Facilitation on Developing Countries' Trade (March 2013)
http://oe.cd/tfi-impact

TFIs: The Impact on Trade Costs (August 2011)
http://oe.cd/tfi-impact-costs

More Information

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