

# Trade Facilitation Initiatives in the ESCWA Region



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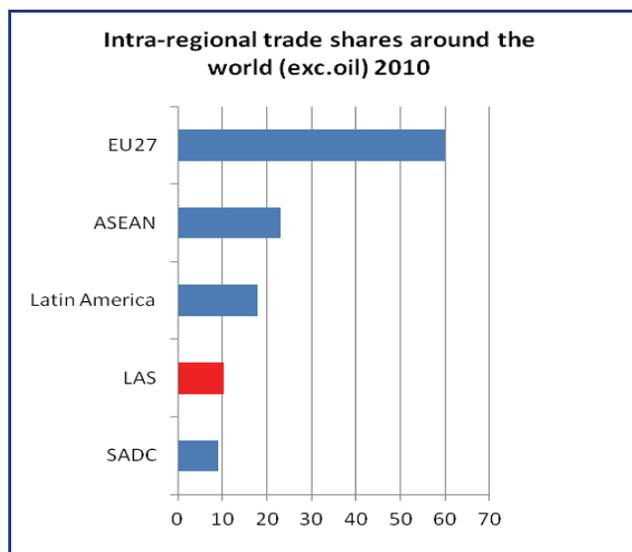
## Trade facilitation at the WTO

On 1 August 2004, the Member States of the World Trade Organization (WTO) agreed to initiate negotiations on trade facilitation. These negotiations centred on three articles of the General Agreement on Tariffs and Trade (GATT), namely Article V (Freedom of Transit), Article VIII (Fees and Formalities Connected with Importation and Exportation) and Article X (Publication and Administration of Trade Regulations).

Given its importance, trade facilitation will be among the four areas of negotiations during the Ninth WTO Ministerial Conference, to be held in Bali in December 2013.

Trade facilitation has gained in importance as the global trade system has expanded and tariffs have fallen. A reduction in trade transaction costs by 1 per cent of the value of world trade is expected to provide welfare gains of US\$40 billion worldwide.<sup>1</sup>

## Why trade facilitation matters



Source: League of Arab States' Regional Integration: Opportunities for Trade and Employment. Geneva: International Trade Centre. Available from [http://legacy.intracen.org/marketanalysis/docs/Newsletters/LAS-Opportunities\\_for\\_Trade\\_and\\_Employment\\_Executive\\_Summary.pdf](http://legacy.intracen.org/marketanalysis/docs/Newsletters/LAS-Opportunities_for_Trade_and_Employment_Executive_Summary.pdf).

Note: EU is short for European Union, ASEAN for Association of Southeast Asian Nations, LAS for League of Arab States, and SADC for Southern African Development Community.

In the Arab region, despite the full implementation of the Greater Arab Free Trade Agreement (GAFTA) in 2005, the level of intra-Arab trade has remained very low compared with intraregional trade in other parts of the world.

## ESCWA initiatives on trade facilitation: The ITSAM

Member States of the Economic and Social Commission for Western Asia (ESCWA) adopted the Integrated Transport System in the Arab Mashreq (ITSAM). ITSAM aims to facilitate trade and transport between the countries of the region, in order to enhance regional integration and trade flows. ITSAM includes the following: (a) an agreement on international roads in the Arab Mashreq; (b) priority routes M40 and M45;<sup>2</sup> (c) an agreement on international railways in the Arab Mashreq; (d) a memorandum of understanding on maritime transport cooperation in the Arab Mashreq; (e) national committees for the facilitation of transport and trade; (f) road safety; (g) a regional transport information system; and (h) an agreement on multimodal transport of goods between Arab countries.

## International road agreement and international railway agreement in the Arab Mashreq

The Agreement on International Roads in the Arab Mashreq was adopted on 10 May 2001 and entered into force on 19 October 2003. As of 2013, it had been ratified by 13 ESCWA member countries. On the basis of national reports received in 2012 from 11 of the 13 countries that have ratified the Agreement, the percentage of implementation is about 70 per cent. Implementation of the two priority routes, the M40 and M45, was 100 per cent in seven countries, exceeded 90 per cent in two countries and was around 75 per cent in one country.

**Table 1. Arab countries acceding to the Agreement on International Roads in the Arab Mashreq as of June 2013**

Country	Signature date	Ratification date
<b>Bahrain</b>	8 March 2002	13 December 2006
<b>Egypt</b>	10 May 2001	5 May 2004
<b>Iraq</b>	19 December 2002	17 March 2008
<b>Jordan</b>	10 May 2001	18 January 2002
<b>Kuwait</b>	...	12 May 2006
<b>Lebanon</b>	10 May 2001	1 May 2003
<b>Oan</b>	...	...
<b>Palestine</b>	10 May 2001	28 November 2006
<b>Qatar</b>	8 April 2002	28 June 2002
<b>Saudi Arabia</b>	7 March 2002	26 July 2004
<b>Sudan</b>	...	30 July 2009
<b>Syrian Arab Republic</b>	10 May 2001	21 July 2003
<b>United Arab Emirates</b>	10 May 2001	28 February 2011
<b>Yemen</b>	4 July 2001	15 November 2002

Note: Three dots (...) indicate that data are not available.

Within the framework of ITSAM, the Agreement on International Railways in the Arab Mashreq was adopted on 14 April 2003 and entered into force on 23 May 2005. The Agreement has been ratified by ten countries in the region. The Railway Agreement rate of implementation is over 70 per cent in some countries, in accordance with the ESCWA action plan. In Yemen, it is 100 per cent according to the national report received in 2012. In the United Arab Emirates, Saudi Arabia and the Syrian Arab Republic, the rates are 87 per cent, 86 per cent and 74 per cent, respectively. However, Egypt has reported implementation of only 7 per cent.

Arab Mashreq road transport corridors connect the Mashreq countries and provide a link to the rest of the world. The M40 runs east to west through Iraq, Jordan, Palestine, and Egypt. The priority railway transport routes are R40-R50 and R25. These routes are expected to establish connecting links from east to west on the R40-R50, through Iraq, Jordan, Palestine, and Egypt; and north to south on the R25, through the Syrian Arab Republic, Jordan, Saudi Arabia, and Yemen.

**Table 2. Status of implementation of the Agreement on International Roads in the Arab Mashreq as of December 2012**

	Bahrain	Egypt	Iraq	Jordan	Kuwait	Lebanon	Palestine	Qatar	Saudi	Syrian	Yemen
									Arabia	Arab Republic	
<b>Length of M40 and M45 (km)</b>	23	5 220	3 020	1 266	438	300	...	100	12 507	2 854	2 535
<b>Implementation (%)</b>	100	100	100	68.3	75.6	100	...	100	100	100	97

Note: Three dots (...) indicate that data are not available.

**Table 3. Arab countries acceding to the Agreement on International Railways in the Arab Mashreq as of June 2013**

Country	Signature date	Ratification date
<b>Bahrain</b>	17 April 2003	18 May 2007
<b>Egypt</b>	14 April 2003	5 May 2004
<b>Jordan</b>	14 April 2003	16 April 2004
<b>Lebanon</b>	14 April 2003	26 April 2004
<b>Palestine</b>	14 April 2003	28 November 2006
<b>Saudi Arabia</b>	...	12 July 2006
<b>Sudan</b>	...	30 July 2009
<b>Syrian Arab Republic</b>	14 April 2003	22 February 2005
<b>United Arab Emirates</b>	14 April 2003	25 February 2011
<b>Yemen</b>	14 April 2003	10 December 2007

Note: Three dots (...) indicate that data are not available.

### **National transport and trade facilitation committees in the ESCWA region**

Within the framework of ESCWA participation in the development account project on Capacity-building through Cooperation in Developing Inter-regional Land and land-sea Transport Linkages, 2002-2007, the expansion of road and rail corridors connecting Africa, Asia and Europe has been outlined accordingly: the AH-M40 route running east to west shall be extended through Central Asia, Iran, the Syrian Arab Republic, Jordan, Palestine, Egypt, Libya, Tunisia, Algeria, Morocco, and

### **Priority road and railways transport corridors in Arab Mashreq and the expansion**



Mauritania; the E-M45 route running north to south shall be extended through Europe, Turkey, the Syrian Arab Republic, Jordan, Saudi Arabia, Yemen, Djibouti, and Somalia.

The Memorandum of Understanding on Maritime Transport Cooperation in the Arab Mashreq was adopted on 5 May 2005 and entered into force on 4 September 2006. So far, it has been ratified by ten ESCWA member countries (table 4).

With regard to its implementation and on the basis of the national reports received regularly from the member countries, there has been no significant progress made on the implementation of the Memorandum.

## Maritime transport cooperation in the Arab Mashreq

**Table 4. Arab countries acceding to the Memorandum of Understanding on Maritime Transport Cooperation in the Arab Mashreq as of June 2013**

Country	Signature date	Ratification date
<b>Egypt</b>	9 May 2005	...
<b>Iraq</b>	...	17 March 2008
<b>Jordan</b>	9 May 2005	27 September 2005
<b>Lebanon</b>	9 May 2005	25 December 2005
<b>Oman</b>	31 December 2005	25 February 2009
<b>Palestine</b>	...	9 May 2005
<b>Saudi Arabia</b>	9 May 2005	6 June 2006
<b>Sudan</b>	...	30 July 2009
<b>Syrian Arab Republic</b>	9 May 2005	24 February 2006
<b>United Arab Emirates</b>	...	29 October 2007
<b>Yemen</b>	9 May 2005	9 May 2005

Note: Three dots (...) indicate that data are not available.

## Single Window for Trade Facilitation

The national committees on the facilitation of transport and trade in ESCWA countries have a crucial role to play in supporting effective institutional arrangements between all public and private sector participants in activities related to trade facilitation.

In 2000, ESCWA prepared the first analytical field study on the cross-border transport of goods in the ESCWA region. The study included an explanation of procedures adopted for the transport of goods through international outlets in five member countries, namely, Egypt, Jordan, Lebanon, the Syrian Arab Republic, and the United Arab Emirates. It also outlined obstacles and solutions

and made several recommendations, mainly on the establishment of national committees to coordinate the facilitation of transport and trade in the countries of the ESCWA region. As a result of a comprehensive discussion over two consecutive sessions of the intergovernmental meeting of the ESCWA Committee on Transport, a manual for the establishment of national transport and trade facilitation committees (NTTFCs) was adopted at its fourth session, held in Beirut on 14-16 January 2003, with the aim of assisting countries to establish such committees. Ten member countries established NTTFCs between 2003-2012, namely, Egypt, Iraq, Jordan, Lebanon, Oman, Palestine, Saudi Arabia, the Sudan, the Syrian Arab Republic, and Yemen.

ESCWA initiated work on a Single Window (SW) for Trade Facilitation in 2010. An assessment was carried out on the status of the SW development in ESCWA countries. Nine factors required for the establishment of a Single Window in member countries were identified, namely: (a) a one-stop shop; (b) a trade promotion portal; (c) electronic customs declaration (EDI); (d) a government formalities single window; (e) an integrated formalities single window; (f) port shipping services; (g) a port community network; (h) a port/logistics single window; and (i) a national single window.<sup>3</sup>

In addition to these factors, a number of symbols have been used as an estimate for the nine factors described above for each separate country (table 5).

To complete the assessment and arrive at a quantitative and qualitative ranking of the countries in the region, a simple methodology was used to convert these symbols into a points system and then compute the ranking. The outcome of this assessment shows variations across the countries with regard to the nine factors identified for the evaluation. There are a number of countries in the region that have made significant progress towards developing the SW for trade facilitation. These include Lebanon, Morocco, Saudi Arabia, Tunisia,

and the United Arab Emirates. However, other countries need to invest more in improving their trade facilitation by developing the SW system (tables 5 and 6). This SW assessment represents the first ESCWA attempt at evaluating progress on SW for trade facilitation in the countries of the region. It is an initiative that could lead to further research in the future.

## Assessing technical barriers to trade in the ESCWA region

**Table 5. Scoring assessment**

Symbol	Stage of development	Assessed per cent	Points
	No apparent progress	0	0
	Limited progress	25	25
	Some improvement	50	50
	Significant progress	75	75
	Transformation effectively completed	100	100

**Table 6. Results of assessments, 2011**

Country	Total points	Ranking in points table
Bahrain	100	6
Egypt	150	4
Iraq	25	10
Jordan	50	7
Kuwait	50	7
Lebanon	175	2
Oman	50	7
Palestine	25	10
Qatar	125	5
Saudi Arabia	175	2
Sudan	25	10
Syrian Arab Republic	0	13
United Arab Emirates	400	1
Yemen	0	13

## Challenges and required actions

Technical barriers to trade (TBT) in the ESCWA region were recognized as a major obstacle to promoting trade in the region and fostering regional integration. In this regard, ESCWA conducted a number of studies to assess and identify the major trade barriers in the region. In 2001, ESCWA carried out field studies in five countries in the region, namely, Egypt, Jordan, Lebanon, the Syrian Arab Republic, and the United Arab Emirates. At that time, a selection of the five countries was made on the basis of the variation in the systems used at customs in the countries, which ranged from relatively traditional procedures in the Syrian Arab Republic to more advanced technological systems in the United Arab Emirates. Egypt, Jordan and Lebanon all had mixed systems that incorporated traditional procedures and some new technologies. In 2003, a report on the economic feasibility of trade facilitation across lands and seaports of Jordan, the Syrian Arab Republic and Lebanon was prepared. It considered seven scenarios for the improvement of seaports, customs, borders crossings, and land transport procedures. In 2007, ESCWA undertook a comparative study of transport and trade facilitation in Egypt, Jordan, Palestine, and the Syrian Arab Republic in order to assess and compare trade obstacles in these countries and propose action plans. In 2012, ESCWA prepared a study on transport and trade facilitation in Egypt as a follow-up to the study prepared in 2007. In April 2013, an assessment was initiated to examine the full range of logistics services in selected countries of the region, including the procurement, transportation, storage, and consolidation aspects for production inputs and outputs alongside the supporting communications, finance and customs procedures. The results of this assessment will be included in a non-recurrent ESCWA publication in December 2013.

## The way forward

These assessment studies identified significant obstacles, including over 100 obstacles in key areas of logistics services in Egypt and the Syrian Arab Republic. These ranged from high costs and excessive delays to illegal practices and corruption. Each assessment study proposed policy recommendations and action plans for the country concerned.

The ESCWA region is recognized as being diverse in terms of size of the economy, population size, economic structure, level of economic diversification, geographic location and area, type of governance and institutions, human capital and labour productivity, and the level of integration into the global economy. In 2009, oil-rich, labour-importing countries recorded less than 14 per cent of the total population of the Arab region and more than 57 per cent of Arab gross domestic product (GDP). The population of non-oil-producing, middle-income, labour-exporting countries was more than three times the size of the oil-rich countries, but with only a 25 per cent share of total Arab GDP. The remaining countries of the region contributed only 18 per cent to the total GDP, but represent more than 40 per cent of the total population of the Arab region.

In 2010, the World Bank Trading Across Borders report<sup>4</sup> noted a significant variation among countries in the region, with the United Arab Emirates ranking fifth in the world for cross-border trading, and Iraq ranking 180<sup>th</sup> out of a total of 183 countries. In terms of the number of documents and time needed for importing and exporting, Arab countries recorded between five and ten documents, and between 8 and 101 days.

ESCWA member countries should benefit from their geography and promote investment in infrastructure. According to the Agreement on International Railways in the Arab Mashreq, 60 per cent of the total railway network remains to be built.

Investment should also focus on maritime transport. This could be achieved through the promotion of public-private partnerships.

With regard to soft infrastructure, countries need to reform their customs systems. Customs clearance procedures in the ESCWA region are time consuming compared to other regions. For exports, it takes an average of 6.3 days in the region compared to the world average of 5.6 days. As for imports, customs clearance procedures take on average 11.4 days in the region while the world average is 9 days. The Arab region should build and strengthen its ICT systems and connect all stakeholders participating in international trade with a view to reducing the number of documents and amount of time needed for exports and imports.

There is great potential for trade expansion in the region; in fact, the region is poised to play a key role in connecting Europe, Asia and Africa. Thus, improving transport corridors throughout the Arab region is of vital importance to enhancing regional integration and trade cooperation and promoting inclusive growth.

The ESCWA region also has great potential for private sector involvement. The challenge is to put in place regional structures and institutions for promoting, managing and ensuring reasonable returns on investments through different options, including public-private partnerships designed to take into account the specificities of the Arab region.

Arab funds and other institutions where ESCWA member countries play key roles should also be solicited to support prospective initiatives, particularly those focusing on the less developed countries of the region. Options for co-financing involving more than one country or institution should also be promoted. Furthermore, efforts should be made to encourage member countries to implement the commitments they have entered into and to encourage those who have not yet signed or ratified relevant agreements to do so.

The expansion of international trade has focused attention on the crucial role of trade facilitation in promoting economic competitiveness. To this end, ESCWA will continue its efforts to support member countries in adopting and implementing policies to facilitate regional and international trade. Currently, ESCWA is carrying out a number of studies on

promoting trade facilitation in the region, to be published at the end of 2013. These studies aim to assess the regional supply chains; how to reduce the costs associated with cross-border trade; and the best utilization of Aid for Trade projects for reducing or eliminating non-tariff measures.

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## Endnotes

- <sup>1</sup> Walkenhorst, Peter and Yasui, Tadashi (2003). *Quantitative Assessment of the Benefits of Trade Facilitation*. OECD Working Paper. Available from <http://www.oecd.org/trade>.
- <sup>2</sup> M40 and M45 are the priority routes classified in the International Road Agreement in the Arab Mashreq. M40 extends from east to west, M45 extends from north to south.
- <sup>3</sup> ESCWA, 2011. Key Factors in Establishing Single Window for Handling Import/Exports Procedures and Formalities: Trade Facilitation and the Single Window.
- <sup>4</sup> International Finance Corporation and World Bank (2010). Doing Business. Trading Across Borders. Available from <http://www.doingbusiness.org/data/exploretopics/trading-across-borders>.