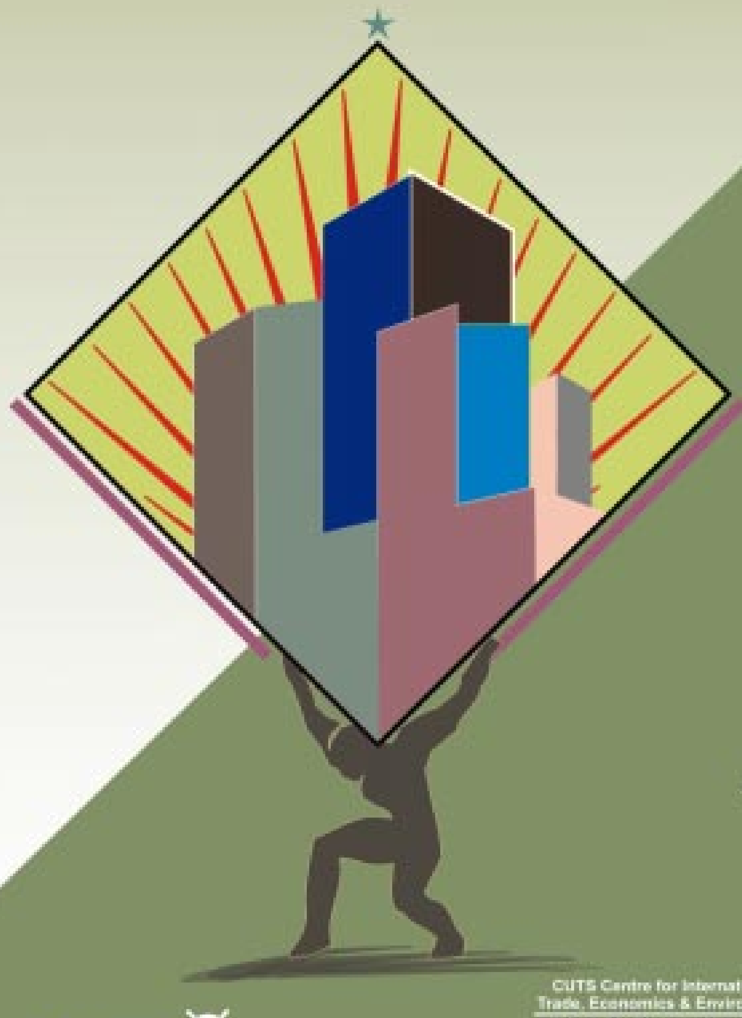
ABC of Trade Facilitation



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Monographs on Globalisation and India – *Myths and Realities*, #10

0613

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Contents

Preface

What is trade facilitation? It is about simplifying border procedures and reducing transaction costs for goods to move in or out. This is a problem area as often goods lie on our borders for days thus increasing their costs to both importers and exporters.

This booklet: 'ABC of Trade Facilitation' is the tenth monograph in the series titled "Globalisation and India – Myths & Realities" launched by CUTS way back in September 2001. This series aims to create awareness among the civil society representatives, business community and government officials (especially at the sub- national level) on economic issues, in general, and the World Trade Organisation (WTO) issues, in particular.

Efforts are made to demystify the complex economic issues and present them in a reader-friendly manner. The earlier ones dealt with the basics of the WTO, agriculture, General Agreement on Trade in Services (GATS), Trade Related Aspect of Intellectual Property Rights (TRIPs), Foreign Direct Investment (FDI) et al.

Trade Facilitation (TF) as a subject has a ten-year history: it was first included in the WTO Ministerial in Singapore in 1995 for being negotiated. Like other WTO issues, this issue has gained high attention in recent times, therefore this booklet.

Ranging from transit issues, transportation, trade bodies and agencies, trade related rules and regulations, fees and charges to technical standards, TF is becoming a crucial issue to facilitate trade by removing hindrances that inhibit trade from a country, albeit tariff barriers have been lowered by the rich countries.

Progressive trade liberalisation under WTO has now brought the attention to reducing the other costs of doing business. It is now understood that cumbersome, complex and often opaque export and import processes cause delays for business transaction resulting in cost escalation. The aim of is to gradually remove one of the non-tariff barriers (NTBs) and allow easy movement of goods among the countries to gain from the liberalisation efforts.

The decision reached at the Doha Round of Ministerial declaration is perhaps the important milestone in carrying forward negotiations to remove all barriers and also reduce the procedural bottlenecks of trade so that the supply chain can act in an uninterrupted manner to ease the flow of goods from one nation to the other.

Negotiations on TF was incorporated as the major modality of negotiation under July 2006 Package of the Doha Round. However, even after series of discussion under different initiatives and different Ministerials, the North and the South are yet to reach a consensus on the different TF issues. The differences are based on their level of economic development, resources and developmental priorities. However, given the importance of the issues, discussions would continue till there is some consensus among the countries, provided enough policy space and the technical assistance required by the developed countries are provided.

This monograph is an attempt to educate the reader and build the fundamental foundation for the understanding of the basic issues concerning TF under General Agreement on Tariffs and Trade (GATT).

Jaipur
September 2006

Pradeep S Mehta
Secretary General

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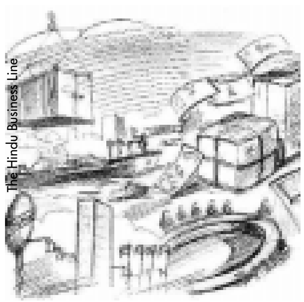

What is Trade Facilitation (TF)?

Trade Facilitation (TF) implies measures required to remove all barriers (other than tariffs and quotas) that inhibit trade. It is directed towards taking steps to reduce the complexities and the costs incurred in making an economic exchange (transaction costs) involved in the movement of goods across borders.

It ensures that all the trade-related activities associated with the export/import of the goods take place in an efficient, transparent and predictable manner. TF simply addresses the logistics of moving goods through ports or more efficiently moving documents associated with cross border trade.

It also includes the environment in which trade transaction takes place, i.e.

- transparency in the working of customs, and regulatory environments;
- harmonisation of technical standards and conformance to international or regional regulations;
- incorporation of like sanitary and phyto-sanitary (SPS) measures (food safety measures and standards);
- all types of transportation modes, customs valuation, infrastructure, intellectual property rights (IPRs), customs procedures and formalities;
- electronic commerce;
- services related to trade such as payments and insurance, professionalism of the workers; and
- tariff and non-tariff measures.

The eventual aim of a TF measure is to provide a consistent and business environment through:

- *harmonisation* of applicable laws and regulations among all the countries;
- *simplification* of administrative and commercial formalities, procedures and documents among the countries;
- s*tandardisation and integration* of information requirements in all the countries, and the use of technologies so as to exchange this information effectively; and
- finally *transparency*, which implies making information on border requirements and procedures available and easily accessible to all interested parties.

The overall objective is to facilitate trade by creating a competitive, congenial environment, convenient procedures and infrastructure support. Thus, TF relates to a wide range of areas and activities (Chart 1) involved in the trade chain such as government regulations and controls, business efficiency, transportation, information and communication technologies and payment systems.

Chart 1: Possible Parties Involved in a Trade Transaction

Buy	Order Prepare	Exporter, Importer, Import Country Authority, Export Country Authority, Insurance Company, Chamber of Commerce, Export/import Agent, Licence Agent, Credit Checking Agency, Other Intermediaries
Ship	Transport	Transporter (Air, Rail, Road Sea Related), Inspection Company (Pre-Shipment Inspection), Other Intermediaries
	Border Crossing	Customs Authority (Import, Export & Transit Country), Testing Authorities, Port Management, Clearing & forwarding Agents, Warehouse Authority, Pre shipment Inspection Agency, Banks & Other Intermediaries and others
Pay	Payment	Banks, Financial Institutions, Other Intermediaries

Source: "What is Trade Facilitation-Basic Concepts and Benefits"; www.swepro.org

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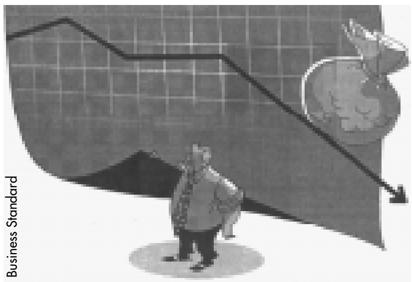

Why is TF important?

It has been found that though the tariff and quota restrictions under multilateral trade negotiations, preferential trading agreements (PTAs) and unilateral liberalisation efforts have come down to a considerable extent, yet intra and inter-regional trade among countries has not increased to that considerable extent.

This is prevalent mostly in the developing and the least developed countries (LDCs) in Asia, Africa and other parts of the world. Even if the volume of trade has picked up pace comparatively in many countries, the high cost of the export/import due to high transaction cost has made the goods uncompetitive in the international market.

The importers pay a high price for importing the basic commodities and a significant portion of the earning of the citizens goes for buying the basic consumption bundle required for sustenance. Poor performance in the trade front leads to low levels of income and employment generation and poverty reduction in the economy, which ultimately leads to persistence of underdevelopment of the economy.

For example, Africa delivered a 10^{th} of world exports in 1950, but by the year 2000, its share had declined to only 2.7 percent. The situation is worse for sub-Saharan Africa (SSA) whose share of the total world export of goods and services fell from 1.9 to 1.4 percent in the 1990s. This dismal performance of African countries is partly due to the high transaction costs, which significantly increase the cost of tradable goods.

Among all the other economic and non-economic factors which are directly or indirectly attributed to the low level of trade among the countries, the factor which are most predominant in trade parlance is the lack of coherence of the trade related rules and regulations among the countries, complexities in the export/import process and lack of proper infrastructure in the countries to support the level of the economic activity. These barriers add up to the cost of the export/import from a country.

The private sector has to face, in terms of higher prices, delays and loss of business opportunity. The governments also face the problem of smuggling, fraud and national security, which drain the public exchequer of a country. The Organisation for Economic Cooperation and Development (OECD) study states the cost of poor border procedure varies between 2-15 percent of the total transaction value.

The United Nations Conference on Trade & Development (UNCTAD) estimates that the average customs transaction involves 20-30 different parties, 40 documents, 200 data elements (30 of which are at least repeated 30 times) and the re-keying of 60-70 percent of all data at least once.

So the proponents of the multilateral or/and PTAs highlight facilitation of trade in the countries. Implementing TF would help increasing both the intra regional and inter regional trade among the countries.

Box 1: Export/import process in India – Empirical Facts

- To export one needs 29 documents, make 118 copies and get 258 signatures.
- The Delhi airport takes 2.5 days to clear goods for exports, while the norm is less than 12 hours. For import, it takes 15 days, while the norm is less than 12 hours as taken in seaports of Singapore and others.
- The export dwell time for sea freight in Mumbai is 3-5 days, while the norm is less than 18 hours. Import dwell time is 7-14 days while the international norm is less than 24 hours.

Source: Compiled from different sources

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What are the TF indicators and the areas that require reforms?

The ambit of TF is very broad and touches upon several areas. While some of these fall directly under initiatives that need to be taken by the government, others involve a partnership between private stakeholders and government initiatives. The main indicators of TF and the areas of reform required in them are briefly presented below:

Port Logistics

- Cargo Dwell Time
- Warehousing Facilities (including refrigerated warehouses for perishable goods)
- Rail and Road Links from Hinterland to Ports

Customs Procedures

- Electronic Data Interface (electronic message exchange between customs and the trading partners)
- Signatureless, Internet Based Process for Filing Customs Related Documents
- Trust Based Systems
- Post Clearance Audit
- Pre Shipment Inspection (PSI) Agreements
- Risk Analysis and Assessment

Standards Harmonisation

- Reform of Domestic Standards Setting and Monitoring Authorities
- Moving Towards Regional and Global Convergence on Standards
- Mutual Recognitions Agreements on Standards
- Movement of Professionals and Transparent Visa Systems
- Adequate Financial Systems Including Banking, Insurance and Clearance Mechanism

Trade Information and E-business facilities

- Proper Channels and Access to Market Information, Legal Systems and Standards and Regulations
- Availability of Information Electronically through the Internet
- E-Business Infrastructure to Enable Business-to-Business Contacts

Administrative Transparency and Professionalism

- Simple and Transparent Procedures for Export/Import
- Non-Discriminatory Approach to Enforcement Based on Risk Assessment Techniques
- Public Private Cooperation and Information Sharing to Improve Enforcement and Compliance

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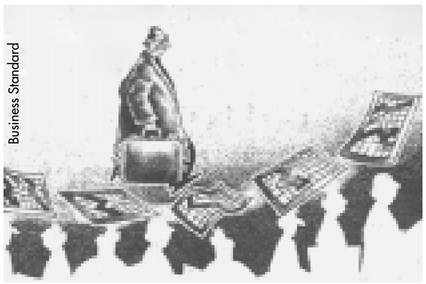

How TF is achieved?

TF needs can be achieved by including the following core commitments that would enhance efficiency, transparency and predictability of cross border trade:

1. *Internet publication of trade regulations* – All relevant information on trade regulations, fees, charges, formalities and penalties should be published on the Internet. Members should also publish procedural sequences and other requirements for importing and exporting goods into and from a Member's territory on the Internet. Such information published on the net should be easily accessible and readily comprehensible for traders.
2. *Prior notice* – Members should publish in advance proposed new rules governing customs matters and provide interested parties to comment on such proposed regulations prior to the adaptation. There should also be a time gap between the publication of such rules and their entry into force to allow traders to adjust to the new conditions.
3. *Enquiry point* – There should be more than one enquiry point in a country providing information on the trade regulations, fees and formalities in connection with import and export of goods.
4. *Advance rulings* – There should also be availability of advance rulings on certain specific matters such as tariff classifications, applicable rate of duties, duty referral, customs valuation and origin. Facts and circumstances on which the rulings are based should remain unchanged.
5. *Standard formalities and documentation requirements* – International standards should be used to the great extent possible for documentation and data requirements. However, the use of international standards should not stop members from enforcing legitimate policy objectives.

6. *Risk based management* – A risk management process based on international standards and practices should be implemented to achieve high level of security.
7. *Measurement of TF* – Every country should be able to monitor its own performance related to the facilitation of international trade. A measurement of TF should be achieved using released times for import and export of goods.
8. *Release of goods* – The process of release goods should be separated from the accounting process, utilising as necessary guarantees such as bonds or deposits. The amount of any security required should be kept at a minimum.
9. *Express shipments* – Express clearance for expedited shipments is a vital aspect of competitiveness for many companies and for the country in which they operate.
10. *Fees and charges* – Fees charged for export/import should not exceed the cost of service rendered. The fees charged on the different processes also should be made known to the exporter/importer. Members should be able to justify the fees and charges as directly related to actual cost of services.
11. *Right to appeal* – For exports, imports and goods in transit there should be an obligation to provide non-discriminatory, legal rights to appeal against customs' and other agencies' rulings and decisions, initially within the same agency or other body and subsequently to a separate judicial or administrative body.
12. *Cooperation between customs and any other appropriate authorities* – There should be provisions to promote cooperation and data exchange between customs administration and other relevant authorities in the area of TF and customs compliance.
13. *Goods in transit* – International standards need to be used for transit facilities formalities and documentation requirements, with any applicable fees and charges associated with transit publicised in advance and applied on a nondiscriminatory basis.
14. *Automation of customs process* – Customs administration should eliminate paper documents to the extent possible, as the paper based customs processes are generally less efficient and more cumbersome for government agencies and business.
15. *Single window* – Traders should be able to submit all necessary documents to government at a single window to expedite and simplify information flows between trade and government and bring meaningful gains. The data can then be shared with appropriate government agencies.
16. *Simplification of border procedures and formalities* – All border procedures should be simplified before the implementation of automation or modernisation.

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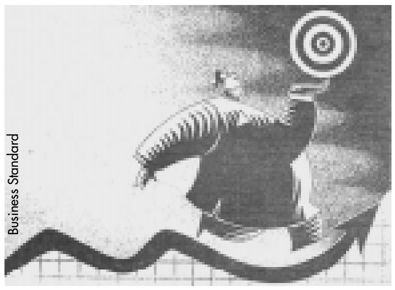

What are the benefits of TF?

The benefits of TF are seen as equivalent to trade transaction cost that could be saved. In other words, the trade transaction cost would be smaller than before, as a portion of the cost associated with it could be avoided. It has a direct effect on the logistical costs by reducing the sum of time and money required in moving traded goods. The benefit of TF spills over to both government and private sector of an economy.

The government benefits as it increases effectiveness of control methods, improve public finance by lowering administrative cost and freeing resources for redeployment to develop other sectors of the economy. It corrects revenue yield and also improves trade compliance in the economy. It increases legal trade by reducing smuggling and illegal cross border monetary transaction like *hundi* as the cost associated with the trade of goods comes down drastically. The increase in legal trade further increases the revenue of the government.

The private sector gains as it can deliver more goods to the customers at reduced prices and less time. It also allows increased participation of private and non-private small and medium-sized enterprises (SMEs) in international trade. The goods exported or/and imported get customs clearance fast and they are released through predictable, transparent official environment.

It also provides a simple commercial framework for doing both domestic and international trade. TF also helps to reduce the burdens of bureaucracy for companies, broaden their market access and reduce corruption. In addition, TF has a positive effect on the economy as lowered transaction cost provides significant benefits to the economy in both static and dynamic ways by:

- increasing trade in goods and services;
- promoting competition, i.e. enhancing efficiency in the use of resources, encouraging technology transfer and the realisation of productivity gains; and
- increasing the incentive for international investment, contributing to economic growth and higher living standard.

A marginal reduction in transaction costs like lengthy border procedures, complicated customs procedures translate into significant increases in trade both for the developed and developing countries.

In practical terms, TF focuses on creating efficiency and reducing costs across the entire supply chain of process so that goods can be exported at minimum cost and time. Lower transaction cost would lead to higher level of profit of the entrepreneurs, which would enable them to pay higher level of wages to the workers and thereby have a direct impact on poverty reduction in countries.

Box 2: Benefits of TF Measures – Some Empirical Evidences

- World Bank (WB) states that reducing port and customs transit times by one day has nearly the same value as reducing tariffs by one percent.
- A study by Asia Pacific Economic Cooperation (APEC) in 1999 shows that a shock reduction in trade costs from TF efforts vary from one percent of import prices for industrial countries and the newly industrialising countries of Korea, Chinese Taipei and Singapore, to two percent for other developing countries.
- A study by UNCTAD (2001) states that a one percent reduction in maritime and air transport service would increase Asian Gross Domestic Product (GDP) by some US$3.3bn.
- Hummels (2001) concludes that each day saved in shipping time in part due to faster customs clearance is worth 0.5 percent reduction of *ad-valorem* tariff.
- A study by Francois *et. al.* (2005) estimate that world annual income would increase by US$7bn following a one and a half percent reduction in trade transaction cost for merchandise trade.
- A study by OECD (2003) shows that a one percent reduction of trade transaction costs for trade in goods would raise annual gains of about US$40bn on a global basis.

- An APEC study estimated TF programmes would generate gains of about 0.26 percent of real GDP to APEC, almost double the expected gains from tariff liberalisation, and the savings in import prices would be between one and two percent of import prices from developing countries in the region.

Source: Compiled from different sources

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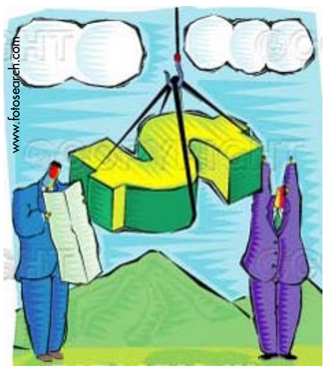

What are the costs associated with realising the benefits of TF?

Implementation and introduction of most TF measures would entail some startup cost for both the government and the private sector in the short term. Once the measures are established, only a marginal cost would be incurred in maintaining these measures. Generally, seven types of costs are associated with the implementation of TF measures including:

- *Institutional costs* – The cost depends on the extent to which new institutions or additional units in existing institutions or restructuring within existing institutions would be required to implement the TF measures. (e.g. cost incurred to include establishment of port clearance team, risk management team etc).

- *Infrastructure/Equipment Facility costs* – For implementation of some measures investment in new facilities, equipments and infrastructure is necessary, e.g. for linking the custom offices through Internet there is requirement for investment in IT infrastructure. Improving the road infrastructure of a country requires investment in roads.

- *Human resource costs* – Effective implementation of many TF measures like advanced rulings, risk management, operation of single window, application of electronic data interchange (EDI) etc., implies the enhancement or amendment of administrative capacity, which requires recruitment of new staff and/or supplementary training for the existing personnel.

- *Regulatory/Legislative costs* – Some TF measures may require the modification of the existing regulatory practices or adaptation of new legislations. This cost hinges on the situation, including legislative structure and procedure e.g. incorporating new regulations on computerised system of trading.

- *Political cost* – The extent to which such TF measures would be resisted by staffs within relevant institutions, or policy makers because of the fear of losing political favour e.g. the trade union prohibiting privatisation of a sea dock yard.

- *Reduced revenue from fees and charges* – TF measures that involve reduction/ minimisation of revenue of the number and diversity of fees/ charges may reduce revenue of the government e.g. reduction of tariff duty to promote import by a country.

- *Recurring and operation costs* – It is associated with the maintaining of new/additional systems associated with the TF measures e.g. replacement of computers, repairing and purchase of new equipments in ports.

7

How did the TF Agreement under WTO came into being and what does it include?

The rules on TF were included in the first WTO Ministerial Declaration in Singapore in 1996 as a part of GATT. It was included along with three other important issues: Competition Policy, Investment and Transparency in Government Procurement. The Ministerial Conference instructed the WTO Goods Council to start exploratory and analytical work on simplification of the trade procedure in order to assess the scope for the WTO rules in the area of TF.

The member countries agreed to commence negotiations on TF on August 01, 2004, under the Doha Development Agenda (DDA). The decision of the WTO General Council – commonly known as the WTO 'July Package' – outlined the modalities for future negotiations in its *Annex D* of the trade negotiations Agreement. Members agreed that the negotiating agenda would focus on clarifying and improving aspects of Article V (Freedom of Transit), Article VIII (Fee & Formalities) and Article X (Publication and Administration of Trade Negotiations) of the GATT 1994.

The TF negotiations also included issues like enhancing technical assistance and support for capacity building, and finally effective cooperation between customs of the developing countries and LDCs to enable them to fully participate in and benefit from the negotiations.

In addition, *Annex D* also specified that the negotiations would address the concerns of the developing countries and the LDCs related to cost implication of the proposed TF measures by taking into consideration the principle of S&DT for the developing countries and LDCs. The extent and timing of entering into the WTO negotiation process by these countries would also depend on the implementation capacity of these countries.

The LDC Members would only be required to undertake commitments to the extent consistent with their individual development, financial and trade needs or their institutional or administrative capabilities.

8

What do the different GATT Articles on TF include?

The major issues covered by the different GATT Article includes the following:

Box 3: GATT Articles on TF	
Articles	**Explanation**
Article V	• The transit goods should not be delayed unnecessary in customhouses of transit country. • It should be exempted from customs duties and all from of transit duties or other charges imposed in respect of transit. Only transport charges and administrative cost will be applicable. • The charges and fees must be reasonable and non-discriminatory and limited to service rendered in the transit country.
Article VIII	• The fees and charges imposed by contracting parties should be limited to amount to the approximate cost of service rendered. • The number and diversity of different export/import fees and charges needs to be reduced. • Number of export/import documents needs to decreased and simplified. • No imposition of substantial penalties for minor breaches of custom rules/regulation.

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Article X	• All laws, regulations, judicial decisions, trade agreements and administrative rulings need to be published. • No requirement to disclose confidential information, which would impede law enforcement or otherwise contrary to public interest. • Member's needs to maintain or institute judicial, arbitral or administrative tribunals or procedures for review or correction of administrative action relating to customs matters.

9

What is the status of negotiations regarding TF at the WTO?

At the fourth WTO Ministerial in Doha in 2001, it was decided by the Ministers that negotiations on all the issues of TF would start after the fifth Ministerial Conference in Cancun in 2003. This mandate was renewed on August 01, 2004, when the General Council decided by explicit consensus to commence negotiations on the basis of the modalities agreed by Members. These modalities established the basis for the work plan adopted at the first meeting of the Negotiating Group on November 15, 2004.

Since November 15, 2004, the Negotiating Group has met a number of times and Members have made a number of submissions concerning many different aspects of the TF negotiations. The developing countries have also actively participated in the negotiations along with the developed countries. The TF mandate notable specifies that developing and LDCs will not be obliged to implement future TF obligations unless the countries receive the technical assistance needed to do so.

However, there was not much breakthrough on the key TF issues in the Hong Kong Ministerial and the Members agreed to submit the final draft by July 31, 2006 and the TF negotiations was scheduled to end by December 2006 along with the Doha Round of negotiations. The Members are continuing discussion on the potential contents of a future agreement on simplifying customs procedure and cutting trade related red tape. Presently, the multi-stage implementing process of the TF measures and identifying TF needs and providing technical assistance are on the list for discussion among the Members.

10

Does TF affect the policy space of developing countries?

There is some apprehension among developing countries and LDCs that the enforcement of TF rules and regulations would force them to take measures beyond their capacities. In fact, they have expressed concern over the initial and operational costs that would be associated with the implementation of some of the TF measures in their respective countries, as they entail substantial investment in infrastructure, technology and human resources.

The developing countries as well as the LDCs also fear that the TF Agreement may not reflect the needs and priorities of their country as a few of the developed countries based on their needs, have established most of the TF standards and practices.

Binding TF Agreement would also have significant consequences on some countries as they still derive a significant share of their government revenue from customs duties. Many of the TF issues also overlook the need for business confidentiality in the publication of information.

The governments of developing countries and LDCs would not be able to invest much on implementing TF measures as they have to balance between allocating scarce resource for implementing TF measures and keeping provisions for implementing other economic development projects like health, education etc.

These countries have to depend on technical and financial assistence from developed countries to implement the new TF measures and also to improve the existing institutions. However, developing countries fear that promised technical assistance to help countries implement TF arrangements might not actually be forthcoming, so they would be left to their own devices to implement the new regulations.

11

What is India's position on TF?

India has increasingly realised the fact that the country needs to implement the rules and regulations on TF, otherwise exports from the country would be uncompetitive in the international market. India presently is unilaterally implementing most of the recommendations set under the GATT Articles V, VIII and X as a part of the reform agenda.

The government has launched several TF policy measures like a transparent system of publishing the trade regulations, streamlining export/import processes, applying techniques like the EDI etc. to ensure the speedy implementation of various recommendations of expert groups that were constituted to lay out a roadmap for TF in India.

However, India is of the opinion that developing countries and LDCs should take TF measures according to their priorities and resources and should not agree on the legally binding rules of the TF negotiations. India has also stated that it would reform itself but it cannot take any additional commitment reform in the WTO that has the potential to adversely affect the core functions of safeguarding revenue and security.

India does not want to consider the promises of S&DT at face value given the lack of progress in TF in the Doha Round negotiations so far. India is also of the view that the effort to bridge the TF gap between the developed and developing countries is not fair or desirable, nor in the best interests of developing countries or a development-oriented trading system promised at Doha. In principle, such an approach would ignore the reality of resource constraints and crowd out the welfare and development priorities of developing countries.

India considers that WTO is not a suitable forum for dealing with TF issues as there is no need to bring procedural issues to it, which focuses more on trade rules, rights and obligations. There is also no reason for duplicating work, which is going on in the World Customs Organisation (WCO), an expert body.

India has also submitted proposals to the Negotiating Group on TF (NGTF) encompassing all the issues of India's interest like the testing procedures of export and imports, technical assistance, documentation, risk management and others.

Box 4: Various Contours of Procedural Complexities Hindering TF Effort in India

- Complex administrative process.
- Procedural delays in clearing imported inputs for exports at the customs.
- Multiplicity of rules and regulations.
- Stringent but inefficient implementation process.
- Informational constraints regarding credit availability and export remittances.
- Infrastructural bottlenecks related with transportation and communication.
- Institutional factors which intensify rent-seeking activities in an economy
- Political environment.
- Dishonesty of public agents/government and non-government officials.

Source: Sachin Chaturvedi, Trade Facilitation Priorities in India and commitments at WTO: An Overview of current Trends: RIS Discussion paper, April 2006.

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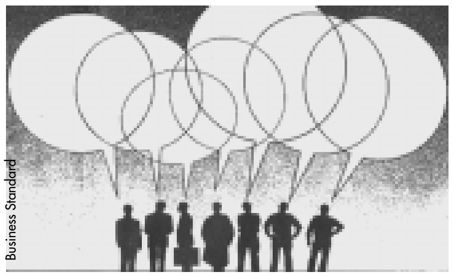

What are the other TF initiatives and organisations?

TF involves many more issues and dimensions. The scope of TF is defined as including everything that occurs between the vendor in one country and the purchaser in another. A number of elements of the WTO legal framework as well as several WTO Agreements complement GATT Articles V, VIII and X and are directly related to TF. They include:

- Agreement on Import Licensing Procedures;
- GATT Article IX of Marks of Origin;
- The Agreement of Customs Valuation;
- GATS;
- Agreement on PSI;
- Agreement on TRIPs;
- Agreement on the Application of SPS Measures;
- Agreement on Technical Barriers to Trade (TBT); and
- Agreement on Rules of Origin (RoO).

The other TF initiatives and organisations (international and regional) that complement the WTO rules on TF include:

- The WCO, the Kyoto Convention and other WCO instruments and conventions including the International Convention on the Harmonised Commodity Description and Coding system commonly known as "HS Nomenclature";
- UN Economic Commission for Europe (UN/ECE) Centre for Trade Facilitation and Electronic Buisness (CEFACT). CEFACT has come up

with 33 Recommendations (the latest on the Single Window concept having been approved in October 2004);

- The ICC initiatives include the ATA Carnet, the ICC International Customs Guidelines and Security code, INCOTERMS;
- The International Express Carriers Conference;
- The International Chamber of Shipping;
- The International Marine Conference;
- The International Air Transport Association;
- The International Road Transport Union;
- The International Association for Freight Forwarders Associations;
- The International Federation for Customs Brokers Associations;
- The Global Facilitation Partnership for Transportation and Trade; and
- The WB, the International Monetary Fund (IMF).

Glossary of TF Terms

- ***Advanced Ruling**:* It facilitates such businesses, which have foreign participation, so they could get answers to their business-related queries without going through the time-consuming and often expensive courtroom trials.
- ***Cargo Dwell Time**:* It is the waiting time of a truck/ship at the parking area, which is ready for lodge/collect cargo.
- ***Clearing and Forwarding Agent**:* The agent that helps the exporter and importer with the clearance of the export and import documents in the land and seaports.
- ***Customs Valuation**:* It refers to the valuation of customs duty based on the declared weight, cost and the type of the goods by the exporter and importer.
- ***Dispute Settlement**:* Settlement of disputes that arises in custom due to or misdeclaration of the value, quantity, item type or any other issues of the goods by the exporter/importer.
- ***Electronic Commerce**:* The production, advertising, sale and distribution of products via telecommunications networks or internet.
- ***Electronic Data Interchange (EDI)**:* It is the computer-to-computer exchange of structured information, by agreed message standards, from one computer application to another by electronic means and with a minimum of human intervention.
- ***Harmonisation**:* The process by which different countries adopt same rules, law and regulations to simplify the export/import process.
- ***Hundi**:* It is informal money transfer system or official money transfers process from one country to the other to avoid the government's restriction.
- ***HS Code**:* The Harmonisation Code System (HS-Code) is a general accepted code by the countries assigned to the exportable item for more specific identifiers for a commodity.
- ***Intellectual Property Rights**:* It is used to refer to the object of a variety of laws, including patent, copyright, trademark, trade secret, industrial design, and potentially other laws. These laws provide exclusive rights to certain parties and many of them implement government-granted monopolies.

- ***Non-tariff Measures**:* Non-tariff measures include imposition of quotas, import licensing systems, sanitary regulations, prohibitions, etc on the import of product by a country.
- ***Port Clearance Audit**:* It means customs control or audit performed subsequent to the release of cargo from customs custody. Such audit may take into account individual transactions or cover imports/exports undertaken over a certain period. The audit can take place either at a customs office or on the premises of a company.
- ***Pre-Shipment Inspection**:* Inspection of any Material or Equipment at packing and/or loading point according to Packing List for authentification, visual condition and for L/C (no testing of quality involved) or Insurance purpose.
- ***Risk Management**:* It is the process of measuring or assessing risk and developing strategies to manage it. Strategies include transferring the risk to another party, avoiding the risk, reducing the negative effect of the risk, and accepting some or all of the consequences of a particular risk.
- ***Sanitary and Phyto sanitary Measures**:* It is implemented by the governments to protect human, animal and plant life and health, and to help ensure that food is safe for consumption.
- ***Single Window**:* It allows all the trade-related documents to be submitted only once or via a single terminal. It reduces multiplicity of documents filing and also reduces delay as the exporter and importer complete all the paper work in a single place.
- ***Tariff**:* It is the customs duties on merchandise imports, levied either on an *ad valorem* basis (percentage of value) or on a specific basis (e.g. certain rupees per say 100 kg.). Tariffs give price advantage to similar locally produced goods and raise revenues for the government.
- ***Technical Assistance***: Assistance in the form of financial, technology and human resource that is provided by one country to the other to implement the WTO related rules and regulations in the country to form a simplified common standard as per with the other countries.
- ***Technical Standards***: The internationally accepted criteria, requirement, specifications of the products laid down by WTO that need to be maintained for exporting the product to other countries.
- ***Transaction Cost:*** It is the cost incurred in making an economic exchange. It includes not only the monetary cost that is made to the parties involved in the process but also the non-monetray cost associated with the export import process.
- ***Transit**:* The act of passing the cargoes of the land-locked countries to the importing country via another country.

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