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Please find attached the presentation by Mr. Mario Apostolov, Regional Adviser, Trade Development and Timber Division, UNECE, delivered to the Session of the *Review of the implementation of OSCE commitments in the economic and environmental dimension focusing on “Integration, Trade and Transport”* of the 13th OSCE Economic Forum, Prague, 23-27 May 2005.

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OSCE Economic Forum, May 2005


**Improving Security
by Facilitating Trade and
Enhancing Trade Information Flows**

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Contents of this presentation

- OSCE commitments / security and international trade
- Trade liberalization and integration in the new States
- Security and integrated information flow management
 - role of standards
 - case study (TRACECA)
 - improving efficiency
 - combating corruption
- Build synergies between OSCE and UNECE for concrete projects

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OSCE commitments in the economic and trade dimension of security (OSCE Strategy Document)

1. "Regional and subregional integration and agreements can give an important impulse to trade and economic development in the OSCE region" (2.1.6); "Establishment in the OSCE region of open and integrated markets functioning on the basis of compatible or harmonized rules and further liberalization" (2.1.9); "Assist each other to increase the integration of our economies into the international economic... system, above all through early accession to WTO" (2.1.5)
2. Undertake "measures to facilitate market access including" "gradual elimination of existing non-tariff barriers, harmonization or equivalence of standards" (2.1.10)

⇓

Build security through functional cooperation in trade
Example: a network for trade facilitation in Southeast Europe

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Functional cooperation for political solutions and security in the Balkans

1. Dayton Accords in 1995
2. US initiative Southeast European Cooperative Initiative (SECI) in several functional areas: trade and transport facilitation, energy, environment. UNECE instrumental from the beginning.
3. SECIPRO: network for trade facilitation.
4. Stability Pact for Southeastern Europe
5. World Bank project on trade and transport facilitation (TTFSE)

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Build security through functional cooperation in trade facilitation
 May 2004: a UNECE-World Bank-OSCE workshop in Tbilisi. Potential to organize a Trade and Transport Facilitation project in South Caucasus: UNECE – TF standards; World Bank – field implementation; OSCE – mobilize customs and security advisers from participating States.

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Trade liberalization
 (especially important in SEE and CIS)

- Reforms in most countries to integrate in the world market
- Tariffs on imports lowered substantially
- Customs reforms -> lower fees
- Some countries acceded to WTO
- New regional free trade initiatives (+ strengthened old ones)

Expected effect: cooperation -> peace

- Yet, political problems, bottlenecks and protectionism persist!
- WTO accession – Kyrgyzstan paradox: first in Central Asia to accede; lowered tariffs; neighbours increased them => disadvantage => necessary that all countries in a sub-region accede to WTO

Game theory – collective provision of public goods

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**Trade liberalization 2:
 Security Implications (continuation)**

- Revenue from Customs goes down (by 39% in Croatia since it acceded to WTO)
- FTAs in SEE: CEFTA or SEEFTA – mainly political process (positive – functional cooperation; objective – EU integration)
- FTAs in Central Asia: signed but not implemented; divergent texts; how to harmonize or unify?
- Caucasus – transit is too costly or blocked on certain corridors

Can economic cooperation develop before political settlement?

- Corruption (some conflicts fed by economic motives) trade facilitation would limit the scope for corruption

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Security needs better management of trade information flows

- **New State institutions** – divergent policies, new documents & procedures to gather trade information
- **Corruption**: OSCE Strategy Document, 2.2.4 – 2.2.7: “Promoting transparency and combating corruption” is a commitment. Unclear procedures help corruption (and officials who maintain violent conflicts to “milk” their economy and int’l trade)
- **Better management** of trade information flows would bring:
 - More efficient trade (simpler and faster movement of better data across borders is at the centre of trade facilitation)
 - Better control of what is moving around (incl. arms, drugs, money laundering, illegal traffic of people)

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Security needs better management of trade information flows

Information gathering and sharing is in the basis of the new trade security initiatives:

- Container Security Initiative (USA)
- 24-Hour Rule for the submission of shipping manifest with description of cargo (USA, EU)
- Bioterrorism Act in US
- Other acts and initiatives

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Integrated Management of International Trade Information Flows

Single Window + Harmonized (electronic) trade documents, e.g. UNeDocs

Advance filing of trade information

Advance exchange of information across borders

Results:

- less bureaucracy: more efficient trade (the goal of trade facilitation) -> lower cost
- more security through **better supply chain management** inside and among countries -> better risk analysis
- integration with Europe [e.g. EU’s Single Administrative Document (SAD) based on the UN Layout Key in use in SEE, TRACECA]

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UN Layout Key for trade documents (UNLK)

- **UNLK** – simple looking, but intelligently made standard for trade & transport documents with minimum required data.
- Various **codes**: Locode, types of transport, cargo, packaging, etc.
- UN standard for Electronic Data Interchange (UN/EDIFACT)
- **UNeDocs**: project synthesizing UN standards for documents – soon a standard

EDIFACT used

UNLOCODE
(used by IATA)
UZTAS
Tashkent, Uzbekistan
TRIST
Istanbul, Turkey

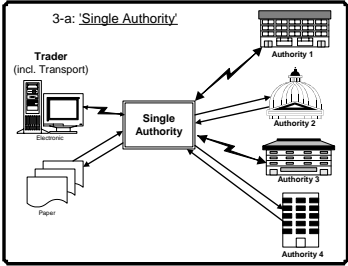
Electronic document
in UNeDocs based on
UNLK



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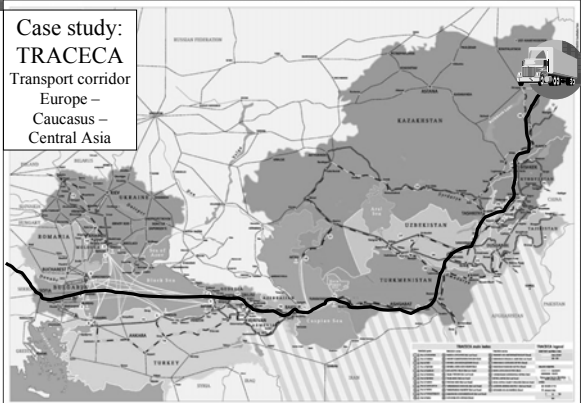
Single Window

One of the options: a single authority



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Case study:
TRACECA
Transport corridor
Europe –
Caucasus –
Central Asia



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Integrated trade information flow management in TRACECA

Project: Top-down approach to unification of documents and harmonization of documentary procedures

- A. A.1. Develop a set of 15 trade and transport documents to be used in all TRACECA countries (same layout, different languages) based on UNECE (& EU) standards (UN Layout Key). See www.unedocs.org for sample documents
- A.2. Endorse the set at a Ministerial Conference (Annual TRACECA Conference)
- A.3. Implement the set
- B. Automate a document (electronic submission across borders)
- C. Automate all documents for parallel use of electronic and paper documents (see www.unece.org)

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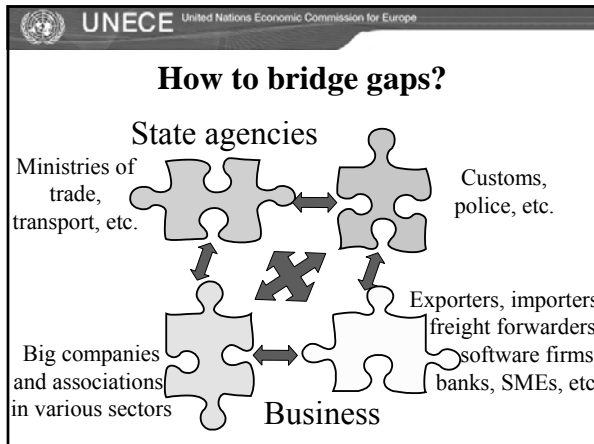
Integrated trade information flows across borders

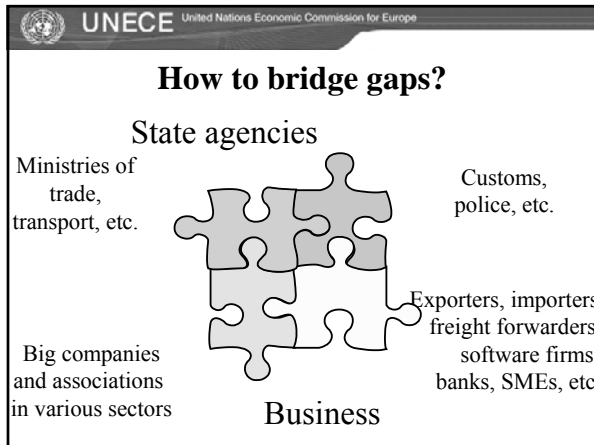


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Need for Trust between Public and Private Sectors

1. How to build an int'l trading system that is more efficient and more secure?
2. Problem – gaps in positions and interests of stakeholders among: various government agencies / public and private sectors / various companies. Solution – **Public-Private Partnership (PPP)**
3. Need to build TRUST
4. An organizational basis for the work is needed
 - Recommendation 4: National Trade Facilitation Bodies www.unece.org/cefact/recommendations/rec_index.htm
 - Yet the recommendation suggests a too rigid structure / Not a good idea
5. Each sub-region or country has unique geography, economy and political structure (Russia, Central Asia, Southeast Europe) => the organizational structure will be unique too. Where should one start?






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Accent on the function in support of TF


The functions of a PRO committee:

- A lobby group for trade facilitation in their country or abroad
- Forum for public private dialogue and cooperation, and for determining the priorities and policies for TF implementation
- A body creating instruments and recommendations in the area of TF on the basis of international standards
- Partner in joint TF implementation projects with the World Bank, UN/CEFACT, UNCTAD, etc.
- Organization of capacity-building courses in TF implementation for public and private players
- Promote regional initiatives for trade integration and facilitation

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Potential for joint projects OSCE-UNECE

- Jointly build support for a project on integrated management of trade information flows (in subregions or corridors, e.g. TRACECA)
 - ✓ UNECE to develop the document set
 - ✓ OSCE field networks to work on implementation
 - ✓ jointly raise funds and collaborate with strategic partners
- Create national Trade Facilitation bodies in the CIS economies (according to UNECE Recommendation 4)
- Explore joint participation in sub-regional Trade and Transport Facilitation projects with strategic partners, e.g World Bank or EU: UNECE with standards, OSCE mobilizing experts in security
- Organize a TF conference in Kiev (incl. UA, MD, GE)

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Thank you !

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