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**CURRENT ISSUES OF IMPORTANCE TO THE ESCWA REGION  
(ESCWA RESOLUTION 119 (X))**

**TRADE EFFICIENCY IN ESCWA MEMBER COUNTRIES:  
A COMPREHENSIVE STUDY**

Note by the Executive Secretary

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## Introduction

1. With the signing of the Final Act adopted following the official conclusion of the Uruguay Round of Multilateral Trade Negotiations in Marrakesh in 1994, the foundations were laid at a macroeconomic level for the general framework of a free and non-discriminatory world trade system. With the coming into force of the Final Act, including the establishment of the World Trade Organization, the development of foreign trade and the identification of new market opportunities has topped the list of priorities in most countries. However, world trade development cannot be achieved solely by adopting the principles of free trade; it also requires that basic improvements be introduced in the methods of carrying out trade transactions. Improving trade transactions and ensuring the participation of both the private and government sectors in such improvement will require the implementation of a series of steps to identify problems, find the right solutions, and use the best practices devised for dealing with them. The best practices cannot, however, be applied except through coordination with all the parties involved in trade transactions at the project level, and at both the national and international levels. Such measures should include the identification of obstacles or bottlenecks that might impede the progress of a transaction as well as the means of eliminating them. This requires the identification of all possible solutions, including the use of state-of-the-art technologies and the implementation of the best practices through the simplification and integration of all trade procedures. In addition, the benefits accruing from this effort should be made available to all participants in the trade process, especially to small and medium-sized projects, government agencies, and trade services providers.

2. The United Nations Conference on Trade and Development (UNCTAD), at its eighth session, held in Cartagena de Indias, Colombia, in 1992, was the first to identify the concept of trade efficiency as an important issue—one which has recently emerged at the global level and which has an effect on world trade and development. Considering the intricate nature of this issue and the many details involved, the UNCTAD Council was asked at its eighth session to entrust the task of studying the issue and its repercussions to an ad hoc working group whose membership should include representatives of all interested States and a number of outside experts. It took the working group two years of ceaseless effort to fulfil its task, which culminated in the holding of the United Nations International Symposium on Trade Efficiency in Columbus, Ohio, in 1994. The Symposium endeavoured to find solutions for all microeconomic problems in international trade. For this purpose, six main sectors were identified which were immediately involved in carrying out international trade transactions and which required certain reforms. These sectors included: business (trade) practices, trade information, customs, banking and insurance, transport, and telecommunications. The aim of the Symposium was to give fresh impetus to the UNCTAD activities in this sphere in order to establish the foundations for a new international trade era in which the poorest and smallest parties could participate as partners in modern international trade, prompted by efficiency considerations to secure a fair share of it. To this end, the Symposium submitted a set of recommendations and guidelines to the Governments of the participating States, urging that they be adopted and translated into practical policies and plans of action aimed at improving the performance of the six above-mentioned sectors, with the aim of ensuring more efficient international trade.

3. The recommendations of the International Symposium on Trade Efficiency, issued as they were soon after the successful conclusion of the Uruguay Round, showed the developing nations how they could benefit from the opportunities offered by the new world trade system, provided they succeeded in implementing such trade efficiency measures in their own countries. Many developing countries have since adopted serious plans to achieve trade efficiency, with technical and financial support from developed countries and international institutions.

4. Some developing countries, including ESCWA members, have not been made sufficiently aware of the importance of trade efficiency. It is remarkable that such a lack of awareness should coincide with the wide-ranging realization by the officials concerned in these countries that their current foreign trade measures and services directly related to foreign trade constitute constraints on their role in international trade now that they are becoming members of the World Trade Organization (WTO).

5. Recognizing the need to enhance the awareness of ESCWA members of the importance of adopting those plans and policies through which they can achieve trade efficiency, and in implementation of ESCWA resolution 211 of the nineteenth session on the draft programme of work and priorities for the biennium 1998-1999, the ESCWA secretariat included in its 1998-1999 programme of work an item on the need to prepare a comprehensive study on trade efficiency in ESCWA member States, covering the six sectors specified during the United Nations International Symposium on Trade Efficiency, and to organize an information seminar on trade efficiency for decision makers in member States at both the private sector and public sector levels.

6. The comprehensive study has been completed and comprises six parts, each dealing with one of the sectors identified at the International Symposium on Trade Efficiency, namely, business (trade) practices; trade information; customs; banking and insurance; transport, and telecommunications. The study was undertaken by a working group consisting of a number of ESCWA technical personnel from the Trade and Finance Section, of the Economic Development Issues and Policies Division and from the Transport Section of the Sectoral Issues and Policies Division, as well as the regional ESCWA expert on communications issues and external consultants specializing in the areas of customs, banking and insurance.

7. The study mainly relied on the recommendations and guidelines on the achievement of trade efficiency issued by the International Symposium on Trade Efficiency as a basic fact sheet, in conjunction with other UNCTAD documents on trade efficiency. The study also made use of reports and studies and the conclusions of meetings and seminars published elsewhere. The facts marshalled for the study, which is designed to appraise trade efficiency in the ESCWA region, have been complemented by field studies on ESCWA member States, namely, Egypt, Jordan and Lebanon (representing the more diversified economies) and Qatar and the United Arab Emirates (representing the Gulf Cooperation Council [GCC] States).<sup>1</sup> In assessing the status of trade efficiency in the above-mentioned countries, and in the recommendations subsequently reached, the study has relied on information obtained for the first time from meetings, conversations, and the exchange of views between the researchers on the one hand, and certain officials in both the public and private sectors in the countries concerned and in some regional institutions, on the other hand.

8. After the completion of the study, an information seminar was held from 30 November to 2 December 1998, to which were invited decision makers from the public and private sectors in the member States, as well as experts from UNCTAD, the Economic Commission for Europe, and some Arab and regional institutions. The seminar formulated a plan of action aimed at achieving trade efficiency in the ESCWA member States (see the annex to the present report).

9. The comprehensive study will be distributed to you as one of the basic documents at this session. The present document contains only a summary of the contents of the comprehensive study, with reference to each of the six above-mentioned sectors, in addition to the action plan approved by the participants in the information seminar.

## I. BUSINESS (TRADE) PRACTICES

10. Business (trade) practices are all those practices used in international trade transactions which fall within the competence of three main parties:

- (a) Traders and private sector trade institutions;
- (b) The Government and governmental institutions;
- (c) International trade services providers.

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<sup>1</sup> The above-mentioned States were covered in the five sectoral studies, while the other countries are dealt with in the transport study.

### C. Why the improvement of trade practices is crucial for trade efficiency

18. New strategies for the improvement of productivity, sales and marketing have been developed in recent years, including "just-in-time manufacturing" and "quick-response retailing". The aim is to increase the efficiency of both the enterprises and the States that adopt them. While efficiency was once a general preference, it has now become crucial. Efficiency is no longer simply an objective, it is a matter of survival in today's world, where competition is growing increasingly fierce in all markets. Enterprises that do not change their production patterns or their work practices are expected not only to be less efficient, but also to cease all activity in the future.

19. For enterprises to be more efficient, the volume of their operations should be kept under control. Non-specialists see foreign trade merely as a movement of goods from one country to another, in containers, trailer trucks, cars, airplanes and ships. However, for undertaking, controlling and organizing this movement, there are invisible infrastructures for the huge amounts of information to be dealt with and exchanged about the traded goods, in the form of documents or corresponding electronic-mail messages. For trade efficiency to be achieved, therefore, every unnecessary stage, that is, every stage that does not contribute to a given transaction and could be dispensed with, should be abolished.

### D. Consequences of non-improvement of trade practices

20. One of the most frequent consequences of inefficient trade practices is delay, which may have serious effects. Large investments in transport systems will be uneconomic if goods are left on the wharf, waiting, while a single document or information about them is left pending. Port congestion often leads port authorities to request additional buildings, while the improvement of those customs formalities which lead to a delay in clearance would provide better results. Studies carried out in the United Kingdom of Great Britain and Northern Ireland have shown that more than 50 per cent of the papers of documentary credit are marred by errors which delay the financial settlement between the parties to the transaction for a whole fortnight and result in the loss of millions of pounds every year. The time factor, as far as the arrival of the goods is concerned, is critical to the business deal. The importance of reducing the trade transaction time through the development of new trading methods has increased. Any delay will lead to the loss of the deal.

21. Trade procedures and the handling of the relevant information have a definite effect on the speed and efficiency of, and the degree of confidence in, delivering the goods to the importer and the receipt of their price by the exporter. The complicated nature and low efficiency of trade practices create insuperable invisible barriers which hinder the development of exports.

### E. How to achieve trade efficiency

22. The concept of trade efficiency is very simple. First, the commodity demanded cannot be delivered to the contracted place unless adequate information is available about the process of transporting this commodity. Second, trade procedures must be dealt with as a coherent unit. The imports of one country are the exports of another that have just arrived; it is not, therefore, a different sort of activity. At the same time, the legal responsibility of the exporters should not end with a free-on-board (FOB) sale of the goods. Rather, the exporter must make sure that he has succeeded in winning the confidence of his client. Each of the parties concerned with undertaking the various parts of the trade exchange has a responsibility—which applies to all participants in the trade process, in both the private and the public sectors.

23. Consequently, trade efficiency is achieved when the least possible amount of the information concerning a trade deal is transmitted with the highest possible efficiency and speed.

11. The concept of trade efficiency involves the use of the best trade practices and data processing throughout the successive stages of international trade deals, with the help of the most up-to-date techniques, including the application of international standards, and the coordination of these stages to ensure that they function as a single, coherent process, both at the State level and the company level.

12. A "best trade practice" may refer to the use of any technical method with proven benefits to the users. It may apply to the processing of any information concerning the implementation of international trade deals by the Government and governmental institutions, by the traders themselves, or by the providers of international trade services such as transport, financial, and advisory services. The use of the best trade practices is not confined to inquiring about the information required or the kind of information technology needed to process that information; of importance, too, is determining when such processing is to be undertaken and even more critically, whether it is needed in the first place.

13. Work has been carried out to simplify the components of international trade; recent developments include the following:

- (a) Internationally agreed upon trade terminology has been devised;
- (b) Detailed trade lists are no longer in use; with each purchase order, every document must be signed;
- (c) Central banks have simplified the control procedures used for foreign transfers;
- (d) Coordination has been achieved among the various port activities, involving shipowners, shipment unloading, carriers, customs, as well as other parties and areas, so that they are encompassed in a single, coordinated process;
- (e) Customs authorities no longer use old customs clearance methods after the arrival of goods and have also simplified the process.

14. It must be stressed here that the achievement of efficiency in international trade transactions does not lower the level of statutory control of such transactions. On the contrary, the quality of such control has in many cases improved.

A. The benefits expected from the use of the best trade practices

15. The benefits gained through the use of the best trade practices are the same for the trade activities undertaken by both the State and the private sector. They include (a) greater trade efficiency, (b) better administrative control, (c) lower costs, (d) better service for the client, and (e) the possibility of using modern operational strategies.

16. At the national level, trade efficiency means that a country's share of international trade will increase. At the level of the company or the enterprise increased efficiency means bigger profits and better service for the client.

B. Who will benefit from trade efficiency?

17. Trade efficiency does not aim solely at the identification of obstacles impeding the trade process, developing solutions and facilitating procedures; it also seeks to benefit all the participants in the trade process from both the private and public sectors, particularly small and medium-sized firms and enterprises.

24. To achieve this, there is a series of steps to be taken, namely:

(a) To identify the constraints and bottlenecks in the chain of undertaking business transactions and payments;

(b) To identify the solutions, including the most up-to-date technologies;

(c) To develop the best practices by simplifying procedures and by combining all the stages of undertaking a trade operation into a single one;

(d) To ensure that the benefits of efficiency are reaped by traders, including small and medium-sized enterprises, governmental institutions, and international trade services providers.

#### F. The roles of the parties concerned with achieving the best trade practices

##### 1. The role of the private sector: traders and the trade institutions of the private sector

25. In view of the complexity of, and the many responsibilities faced by dealers in, international trade as compared with domestic trade, the exporter must plan well for the export process. Foremost among the export planning requirements is for the exporter to adopt an export strategy. An export strategy is important for all kinds of traders—large, medium and small.

26. An export strategy consists of six basic elements: (a) looking for and having access to markets; (b) arranging for an export contract; (c) transporting the export commodity to the contracted place; (d) documenting and managing the export process; (e) receiving the returns from export; and (f) serving the client.

27. Taking the first element as example, a number of recommendations may be offered regarding the steps of looking for markets and securing access to them, including the following:

(a) Planning for export to a single market at a time; it would be wrong to enter several markets at the same time except in the case of highly specialized goods;

(b) Assessing a number of markets before selecting a specific one;

(c) Making a reassessment from time to time of the export markets usually dealt with;

(d) Avoiding the markets fraught with risks of all kinds;

(e) Avoiding far-away markets with a view to avoiding high transport bills, which would raise the cost of the goods;

(f) Undertaking accurate accounts of all the costs involved in the export process, and drawing up a future marketing plan for three years at least;

(g) Drafting a marketing plan which promotes organized thinking and provides the means of evaluating the results.

##### 2. The role of the State

28. Three roles are assigned to the State if it is to ensure the best trade practices; (a) the management and development of the national economy; (b) the management of official controls; and (c) the management of the State business sector.

29. The importance of each of these roles varies from one country to another, depending on the circumstances of each, and the extent of State intervention in economic affairs. Generally speaking, however, every Government should aim to be more efficient, more effective, and more economical in playing these three roles.

(a) The management and development of the national economy

30. Under this heading come three major resolutions:

(a) To adopt the principle of trade efficiency as an objective when formulating both trade and transport policies;

(b) To coordinate all the efforts made to achieve trade efficiency at the national level, and to instruct all the state institutions concerned to play an effective role to this end;

(c) To participate in international meetings on standards and trade efficiency procedures.

31. Point (a) above includes the need for the State to adopt both trade efficiency and business transaction facilitation as one of the objectives of its trade and transport policies.

32. Point (b) above includes the need to establish national committees for the facilitation of international trade procedures (FALPROs). For this committee to succeed, it should have the following:

(a) High-level government support;

(b) Adequate financial and human resources;

(c) Independence;

(d) A balanced representation of all the parties concerned, both at the State and private sector levels.

(b) The management of official control

33. The State should see to it that the official control of foreign trade procedures has only a minimal effect on the trade exchange process. Control must be exercised either before or after the transfer of the commodity in question, not during the transfer process; however, if the latter is unavoidable, maximum use should be made of the trade documents and the demand for separate official documents kept to a minimum.

34. Some of the areas of foreign trade in which official control is still exercised are import and export licences, foreign currency transfer control, consular trade list, certificates of origin, pre-shipment inspection, dangerous goods, customer control procedures, and trade statistics preparation.

(c) The management of the State business sector

35. If engaged in import-export business, the Government must have a trade basis for its activities, as is the case with the private sector. It must therefore respond to client's demands regarding quality, price and quick delivery, and apply all trade standards in the sale and purchase processes.

3. The best trade practices in international trade services

36. The main task of international trade service providers is to provide clients—both importers and exporters—with such services. These service providers should also work to establish close relations

between sellers and buyers. International trade services are particularly important for the least developed countries (LDCs) and the firms that are newcomers to international trade. Although the functions of international trade service providers overlap, they can be generally divided into three groups: advisory services providers, transport services providers, and financial services providers. A major function of the providers of these services is to observe the internationally agreed standards, especially in document preparation, as well as all other documentary material concerning the undertaking of trade deals. Traders therefore need to train their employees on the use of a single, coordinated set of instructions.

37. Advisory services providers comprise a great number of governmental institutions, such as export-development centres, foreign trade statistics centres, exporters' associations, chambers of commerce, and training institutions. The efforts of all these parties should be coordinated to avoid duplication and raise efficiency with regard to the quantity and quality of the advisory services rendered.

38. As for transport, there should be, apart from the use of international standards, coordination among the main focal points, such as airports, seaports, and inspection points at international borders.

G. The most important recommendations adopted by the United Nations for the achievement of the best trade practices

39. Success in finding new export opportunities depends not only on adherence to the principles of free trade but also on the degree of progress achieved by every country in raising the efficiency of conducting international trade transactions, or in other words, the ability of the exporter to get the demanded commodity to the contracted place at the right time and at the least possible cost.

40. United Nations recommendations thus call on each Government:

(a) To adopt the issues related to the achievement of trade efficiency and facilitation as objectives when formulating trade and transport policies;

(b) To establish a national committee representing all parties concerned with carrying out international trade transactions in both the State and private sectors, while being committed to the achievement of clear objectives such as:

(i) Reducing all administrative obstacles, and looking for solutions to be agreed on by all the parties concerned with the issues common to both international trade and transport;

(ii) Encouraging the use of the best practices, including information technology, in trade, transport, distribution and payments in accordance with the internationally accepted standards;

(iii) Raising the efficiency of all personnel working to carry out international trade transactions;

(c) To encourage the holding of regional and subregional meetings of the national committees concerned with achieving trade efficiency, owing to the close links between each State's international trade procedures and those employed in neighbouring States;

(d) To stress the need for the national trade efficiency committees to assist traders in efficiently carrying out their tasks in two ways:

(i) Simplifying and reducing all export and import procedures through the use and coordination of every available means of transport;

(ii) Developing an aligned documentary system for both exports and imports, using both paper documents and their electronic message equivalents, on the basis of the United Nations layout



key for paper transactions and the United Nations Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT);

(e) To adopt the principle of transparency and facilitated procedures in obtaining export and import licences for restricted and sensitive goods. Once the licence is issued, the movement of the goods must be subject only to routine export and import controls such as customs clearance;

(f) To simplify procedures for the foreign monetary transfers made for international trade purposes;

(g) To simplify certificate-of-origin procedures;

(h) To ensure that national legislation is in line with international standards regarding dangerous goods, and to attach all licences in respect of dangerous goods to the trade documents customarily used, without demanding any new documents, whenever possible;

(i) To review the State's need for foreign trade information, with the aim of reducing the requirements for preparing such information, so that data can be compiled within the time limit, and in a manner conducive to ensuring the least possible delay in the movement of goods;

(j) To stress the need for the government sector to use efficient procedures in the provision of international trade services and in its import-export activities.

41. In the light of the findings of the field studies, the first part of the comprehensive study offers a number of conclusions and general observations on the status of trade efficiency in the ESCWA member States, while the other parts include more specialized conclusions. The conclusions and observations in the first part include the following:

(a) There is little awareness of the importance of trade efficiency on the part of both the State sector and the private business sector. This is the reason why none of the States covered by the field studies has so far adopted trade efficiency as one of the objectives of its trade policy that need to be achieved within a prescribed time period and through a specific mechanism. To say this is not to deny that these States have made efforts, at various levels, to improve trade efficiency. They have focused mostly on customs and the easing of some types of controls, though they still have no economic or foreign trade policies with clear features or objectives;

(b) With the exception of Lebanon, where the Ministry of Economy and Trade has established a trade efficiency committee, the member States have no national committees which exist specifically for that purpose, representing all parties concerned with carrying out foreign trade transactions in both the private and public sectors. The Lebanese trade efficiency committee consists solely of members from the State sector, and even this sector is not yet fully represented. The task of reforming the foreign trade sector is generally entrusted to more than one committee; however, it is better to assign the task to only one committee which can achieve the required coordination among all the stages of the trade operation;

(c) The lack of a national committee entrusted with the task of achieving trade efficiency at the levels of all parties concerned with carrying out foreign trade transactions has not only led to the persistence of poor coordination among all these parties, but has also resulted in contradictions in opinions and viewpoints in the identification of obstacles and bottlenecks. Views have also been in conflict over the reforms so far achieved. There are contradictions in this respect not only between the public and the private sectors but also between the parties concerned within each sector;

(d) Some States explain their lack of adequate interest in trade efficiency in terms of the lack of export capacity at the level of production or in terms of the size of their domestic markets. The main exports

of the GCC States are still petroleum, gas and their derivatives. In Egypt, the relatively big domestic market and the increasing problems related to exports have prompted many factories and firms to concentrate on production for the domestic market rather than for export. Thus, an important fact is ignored, namely, that State financial, monetary and trade policies can be used to create production institutions with export capacities or assist industries in restructuring their production for export purposes. This should draw attention to the importance of the recommendations made by the United Nations International Symposium on Trade Efficiency, which placed particular emphasis on achieving trade efficiency through the planning and execution of economic and trade policies by the State;

(e) Efforts are being made to improve trade practices, especially with regard to the facilitation and simplification of customs procedures. However, owing to the absence of a comprehensive vision, such procedures suffer from a lack of coordination or cohesion, so that isolated efforts are being made by different agencies, with each working independently to deal with certain problems. This has also led to a discrepancy between statutory procedures and those followed in practice. This has been most obvious in Egypt and Jordan. Traders have complained that, for all the steps taken by the State to reform the customs system, the mentality of State employees is still governed by the old concept of a dominant public sector, according to which both importer and exporter are always viewed with suspicion. This leads to delays and makes the trader carry an unexpected additional burden in terms of fines and taxes, which raises the cost of imports, exports and production;

(f) The relation between the private and State sectors is still characterized by a lack of confidence and transparency. The private sector is generally not consulted before the Government carries out adjustments and reforms, and if it is consulted, its views are never adopted by the State or reflected in the government decision. The private sector in these countries seeks to have a partnership with the public sector in taking those decisions concerning the achievement of trade efficiency. This can be done through the establishment of a national trade efficiency committee on which the private sector would be represented in accordance with legislation which is binding on the State;

(g) The public sector has no definite policy regarding the efforts made by small and medium-sized enterprises, particularly with regard to the reason for their existence or to how such efforts may be directed towards raising their contribution to domestic production and foreign trade. The private sector in some countries complains that some State policies aim to marginalize the role of small and medium-sized enterprises rather than help them. This takes the form of imposing high interest rates on bank deposits, which leads, consequently, to raising the interest rates on bank loans. Such enterprises still suffer a great deal from discrimination, both in customs regulations, as is the case in Jordan, and in access to information and bank credit. The lack of a State policy in this sphere is especially prominent in the Gulf States. The financial capacities of some individuals or their ability to obtain financial resources through personal bank credit encourages the private sector to engage in small-sized, short-term trade activities with the aim of securing quick profit or for personal reasons. Enterprises are therefore short-lived, and traders may soon turn to other activities. This represents a waste of financial and human resources which can be better exploited if a clear policy is established to organize the activities of such enterprises and to redirect their contribution, positively and seriously, towards the development of the national economy and exports;

(h) There is a lack of trained personnel capable of using modern technology, apart from the difficulty of obtaining the equipment needed to facilitate the use of such technology;

(i) There is little awareness of the importance of adopting export strategies and undertaking serious studies of any market before entering it. This phenomenon exists even at the level of big companies, but it is much more common among the small and medium-sized enterprises, including small and medium-sized traders;

(j) The role assigned to the institutions which provide international trade services is still limited, especially regarding advisory services, and coordination among them is still poor. They also lack such modern methods as would enable them to provide better services to both importers and exporters;

(k) Coordination is poor or non-existent among the States at the regional level, especially in the sphere of transport and customs. This creates great bottlenecks in foreign trade at the level of the entire region, and consequently leads to a decrease in the volume of intraregional trade.

42. On the basis of these conclusions, and in the light of the recommendations and guidelines of the United Nations International Symposium on Trade Efficiency, this part of the study recommends the following:

(a) The principle of trade efficiency should be adopted as an objective within a clearly defined foreign trade policy;

(b) A national committee should be set up, at the country level, with balanced representation of the State, the private sector, and all parties concerned with concluding foreign trade transactions. Its task would be to achieve trade efficiency by coordinating and merging all the stages of carrying out a trade operation, so that they are dealt with as a single process with a series of interrelated steps;

(c) The work of the national committee at the national level should be coordinated in such a manner as to facilitate the exchange and coordination of expertise and to promote the application of trade efficiency procedures;

(d) Coordination should be speeded up at the regional level in three main spheres—customs, transit and transport. However successful a country may be in achieving trade efficiency within its borders, the lack of efficiency at the regional level, in particular at the level of neighbouring countries, could annul the fruits of the trade efficiency achieved at the country level;

(e) A clearly defined policy should be pursued, aimed at organizing the activities of small and medium-sized enterprises and at increasing their contribution to national economic development and foreign trade. Any such policy must include at least two major elements: the first is to eliminate all kinds of discrimination against these enterprises within the framework of efforts to achieve better trade practices; the second is to raise the level of integration, in production and distribution, between small and medium-sized enterprises, on the one hand, and large enterprises, on the other hand;

(f) A demand should be submitted to international institutions such as the World Trade Organization, the International Trade Centre, the International Chamber of Commerce, and UNCTAD for Arabic translations of all documents containing instructions that the member States need to follow, with a view to ensuring the right and timely application of such instructions;

(g) The role of all departments and institutions concerned with the provision of international trade services, especially advisory services, in both the private and public sectors, including the chambers of commerce, should be activated through the enhanced coordination of their activities and a more effective response to the need by the private sector to play a greater role in the achievement of trade efficiency.

## II. BUSINESS INFORMATION

43. In the wider sense, business information may be defined as all information needed by traders and institutions engaged in import-export activities in both the private and public sectors in their search for suitable external markets. Business information is a basic requirement for marketing, planning, and the formulation of trade and production strategies.

44. Like any other commodity, business information is governed by supply and demand. The ability of all those involved in import-export transactions to obtain the required business information correctly, adequately, and at the right place, time and price, and to understand how to use it, is a major factor in determining trade efficiency. A commodity's competitiveness in the international market has come to be the indicator of its success and viability. This is accompanied by success in the marketing process, which is now a most important step in the chain of production and international trade. Successful marketing is that which relies on good planning, and in which business information plays a major role. Foreign marketing opportunities are today closely related to the fast development of business information. The marketing process requires not only the availability of accurate information to assess target markets through the preparation of market studies, but also foreign trade statistics, macroeconomic indicators, and information on prices, laws, specifications, quality standards, business practices, packaging conditions, and so on.
45. The importance of business information availability cannot be considered separately from a trader's ability to acquire it. To acquire it, a trader must know that it exists, be aware of its importance, and be capable of putting it to effective use. There are, in the developing countries, problems which impede the optimal use of business information, even if it is available. Not all involved in the trade process are aware of the availability of such information, and many do not know how to obtain it. More critically, they are not aware of its importance. There is a need, therefore, to improve not only the supply of business information but also the demand opportunities for it by broadening the base of its users.
46. The processing and publication of business information has developed into a major, fast-growing industry. This development has facilitated the acquisition of huge amounts of information produced by many sources. The most important channels for publishing such information are databases, guides to sources, the database network, and the Internet. The shift from the use of traditional printed materials to greater reliance on electronic information systems using modern technology could, however, create an obstacle to accessibility for small and medium-sized enterprises in developing countries, owing to the absence of appropriate communications infrastructures and electronic data processing services and to the high costs involved. Further, the use of electronic information sources requires specialized skills which small and medium-sized enterprises may be unable to provide. Finally, there is the language barrier: most information is available in English, which makes it of limited use to non-English speakers.
47. Among the sources of business information are the public sector, the private sector, professional organizations and international organizations. Modern means of providing information include the Internet and trade points. The ESCWA member countries are among the group of developing nations which still face many problems with regard to both the supply of and the demand for business information. In regard to supply, information is still characterized by its general nature and the delay in producing it, and by the fact that it is produced by several agencies. Owing to poor coordination and cooperation between these agencies, their conclusions often do not tally, which is reflected in the final figures. The problems of demand may be summed up in the poor awareness of the importance of business information as an effective means, if well used, of encouraging exports, the difficulty of obtaining the required information, and the high cost of obtaining some kinds of information.
48. The five field studies covering the topic include the following conclusions and recommendations on the status of business information in the ESCWA member countries:
- (a) All small and medium-sized enterprises, and even some large companies, suffer from the lack of marketing plans and export strategies. This has led to the lowering of the level of awareness of the importance of various kinds of business information and the benefits accruing therefrom, especially in the long term;
  - (b) Small and medium-sized enterprises suffer from a lack of the skills needed for the correct use of business information in drawing up strategic and marketing plans, or in taking a decision on whether or not to undertake a trade operation;

(c) A low level of coordination, communication and transparency exists between the government departments concerned with the provision of business information, particularly as regards the preparation of foreign trade statistics;

(d) Serious inadequacies exist in all ESCWA member countries with regard to the provision, preparation and availability of market and product studies;

(e) References and sources published by world organizations are not reproduced in Arabic, which constitutes an obstacle to traders and personnel in small and medium-sized enterprises who cannot use foreign-language references; hence, there is a need to provide such references in Arabic at the same time they are provided in the original language;

(f) The personnel in the institutions which provide business information and economic indicators may be reluctant to make such data available to traders if they consider them official State secrets or professional secrets;

(g) As traders engaged in both import and export place little trust in their unions and organizations, they keep from such institutions the information they need to prepare business information in the desired format;

(h) Business information is difficult to obtain because it is not available from a single source;

(i) There is need for more technical assistance from world organizations in the training of personnel in the organizations which provide business information;

(j) Trade points exist only in Egypt at the present time; there is a need for the other ESCWA member States to take serious steps towards conducting a study of trade points with a view to establishing them.

### III. CUSTOMS

49. Customs plays a basic role in international trade transactions. Every sale and purchase operation at the international level is subject to at least two interventions by customs, the first in the exporting country and the second in the importing one. How a customs department handles such operations has a great impact on the movement and cost of international trade.

50. The tasks of customs departments are becoming increasingly complex, especially with the increase in the volume of commodity exchange at the global level and the diversification of the control tasks required by the customs authorities—particularly in relation to copyright, the transport of toxic wastes, the protection of endangered species, the control of prohibited goods such as drugs, arms and ammunition, and ensuring that the standards of some imported goods do not jeopardize public health—over and above their daily work of collecting customs duties on imported merchandise.

51. One of the most prominent challenges faced by customs departments is reconciling import control decisions with the need to minimize the obstacles which prevent legitimate trade from flourishing. To this end, these departments must recognize the importance of developing, nationalizing and computerizing customs procedures. Emphasis should be placed on the re-qualification of personnel through special training courses and on the application of risk management methods in connection with certain customs data selected on the basis of standards pre-defined by the department.

52. The ultimate goal of trade efficiency efforts is to facilitate both local and international trade so that the seller finds it easy to distribute his goods globally as well as domestically. Further, the buyer should be

provided with the same level of transparency in receiving imported goods as he enjoys in obtaining goods from the domestic market.

53. In order to achieve this objective, customs departments, especially in the developing countries, should review the customs methods and regulations currently applied with a view to increasing the contribution of these departments to international trade. The aim is to achieve economic development, in part by encouraging small and medium-sized enterprises to play an effective role in international trade, which is still confined to large enterprises.

54. Trade efficiency procedures constitute a challenge to customs departments, which have to discard the old methods of undertaking customs clearance while maintaining their role in protecting consumers, collecting customs duties, and preventing the importation and exportation of prohibited goods.

55. In coordination with the World Customs Organization, developed countries have succeeded in modernizing their old customs systems. This has been positively reflected in the levels of duty collection and consumer protection, and has consequently been supported and appreciated by both the private and public sectors. Having proved successful in the developed countries, these systems could be adopted by the developing countries to achieve trade efficiency in the area of customs.

#### Conclusions and recommendations

56. The field studies carried out on the status of customs and their relation to trade efficiency in the ESCWA member States have produced the following conclusions and recommendations:

(a) There are no clearly defined mandates for personnel and their superiors. The mandates of the office chief and regional director are very similar to those of the director general and the Higher Customs Council, which has a negative effect on management efficiency and makes it difficult to determine which authority is capable of taking the appropriate decisions;

(b) In addition to the restrictions and prohibitions imposed by various ministries on the customs departments with regard to the implementation of certain decisions concerning some imports, exports, re-exports and transit trade, certain agencies interfere in the conduct of customs operations without coordinating their efforts with the competent customs authorities. Such interventions lead to additional delays in customs operations and the importer is left feeling disaffected. The customs department alone should be entitled to apply such restrictions, if needed, so that the trader can deal with a single government authority to clear his merchandise through customs at the border;

(c) The administrative instructions and circulars issued by the public customs department need to be properly archived and indexed in accordance with administrative principles to enable staff members to locate them easily and quickly. The increased staff workload and confusion resulting from the failure to do so will lead to delays;

(d) The difficulty of determining the value of an imported commodity remains one of the most important and most complex issues facing customs departments. Most ESCWA member States apply the so-called Brussels concept of value, which means that the value of commodities is to be determined by customs officials. The States that have signed the WTO Agreement will adopt the General Agreement on Tariffs and Trade (GATT) concept of value, which establishes the value actually authorized as the basis for calculating the amount of the customs tax;

(e) The rationalization and computerization of customs procedures mark the beginning of the road to their modernization and reform. However, there are big challenges being faced because of the difficulties involved, in particular the resistance to the new ideas and methods proposed in connection with the systems

that have been designed to invigorate the administrative structures and provide them with modern technological means;

(f) Many ESCWA member States recognize the importance of computerizing customs procedures. A good number have adopted the ASYCUDA system, which allows them to deal with countries using other systems and to exchange information instantly with them through available telecommunications channels such as the Internet, electronic data interchange (EDI) and UN/EDIFACT. Other countries have prepared their own programmes, including the MERSAL programme used in Dubai. The Syrian Arab Republic has shown an interest in adopting the ASYCUDA system, especially as two neighbouring countries (Lebanon and Jordan) have adopted the same system;

(g) Some ESCWA member countries, including Jordan and Lebanon, have recently adopted a risk management system under which a significant percentage of goods may not be subject to inspection (those with nothing to declare use the so-called green-line exit). In the countries which do not utilize this system, customs clearance is mainly done by examining all the goods arriving for the government or for diplomats who are exempted from such procedures. Customs departments consistently apply the principle of checking all customs data, which causes the customs list to be processed quite slowly. Any suggestion that this principle be changed is met with suspicion and fear (although, the goods checked, under this system, represent no more than 10 per cent of all the imported goods listed on every customs declaration; this allows no small possibility of "bad faith", as 90 per cent of the goods pass through unchecked). This creates great resistance to the acceptance and application of the logic of risk management;

(h) The system of arbitration in customs offences and of imposing fines on the importer lacks transparency, particularly in defining the evidence needed to establish proof. A personal evaluation by the customs official of the type and category of the offence determines the amount of the fine to be imposed. The political and social influence the fined party may enjoy can also influence the course of establishing the proportion of the fine;

(i) There is generally no coordination between the customs department and the trade sector, the latter represented by the chamber of commerce, the goods-clearing personnel union, transport companies and other parties. It has been normal practice not to seek the views of these entities, even on topics of particular interest to the trader; even if they are consulted, their views are never taken into account when decisions are made;

(j) The role of the customs department in the provision of financial resources varies from one country to another. Such resources are generally unimportant to the GCC States, but they constitute a major contribution to the public treasury in a country such as Jordan. Apart from its role in procuring financial resources, the customs department represents the front-line squad in combating narcotics and arms imports;

(k) Imported goods are subject to approvals and restrictions issued by various ministries and departments, which slows down the customs process and the clearance of the goods. Some restrictions require importers to present certain documents concerning the imported goods, such as the purchase invoice, the certificate of origin, and the bill of lading, which must then be approved before being accepted by the customs department. These restrictions force the importer to spend additional time and money going from one department to another to have his goods cleared, which raises the cost of the goods and delays their entry into the market;

(l) Apart from the restrictions imposed and the signatures of approval required in the importing country, there are signatures of approval and confirmations of document validity that have to be obtained at the importing country's consulate in the country of origin. This requirement creates an important obstacle, especially when the consulate is far from the area where the goods are produced or stored.

57. On the basis of these conclusions, the study recommends the following:

(a) Preparations should be made for the creation of a modern customs management system capable of ensuring that high revenues are obtained at the least possible cost and of producing the necessary import and export statistics. This requires simplifying customs formalities by reducing the number of personnel required to finalize customs operations. It is suggested that risk management systems should be adopted in order to save time, and that the methods and systems in use should be computerized in order to expedite customs operations;

(b) Executives in key posts should spend more time, even after work hours, planning and organizing the customs institution instead of merely running day-to-day customs operations;

(c) Customs procedures extending across international borders should be simplified and streamlined;

(d) There should be coordination between customs departments and the ministries concerned to review the restrictions imposed by the latter on customs operations for the purpose of lifting or easing such restrictions and the simplifying customs procedures;

(e) Bonuses for customs personnel should not be linked to the offences recorded. A new salary scale for customs personnel should be prepared which frees them from the need to exploit the "bonus rule" and impose unjustifiable fines on traders to supplement their incomes;

(f) All administrative memorandums and circulars issued on customs procedures and their suitability and application should be reviewed. The aim is to collate and classify all such data in order to ensure easy access to them, and to categorize the goods covered by these data according to the approved tariff on the basis of tariff index numbers, and then to classify all goods in accordance with the index in the register (prohibited, allowed, authorized, approved and so on). This should make it possible to use the tariff category to which a given commodity belongs as an indicator of the restrictions imposed on the commodity and the texts imposing them;

(g) A database must be established which includes world prices of the goods handled in order to help customs officials fix values acceptable to them and thus ensure transparency.

#### IV. BANKS AND INSURANCE

58. Efforts to widen the scope of foreign trade in developing countries in particular encounter certain problems, such as the lack or insufficiency of bank financing services or insurance services to guard against the various risks involved in international exchange, and the high cost of such services. Further, some of the payment and financing mechanisms commonly used in undertaking foreign trade transactions are inefficient, which leads to the loss of some export opportunities and the lowering of world demand for the exports of the State concerned. Such problems are especially acute among small and medium-sized export industries. They are reflected in the inadequacy of the financing sources available to export operations, the lack of the sufficient guarantees (both in kind and in cash) required to obtain such finance and, the low level of efficiency of many of the payment, finance and communication mechanisms used in concluding international trade transactions and of the risk management methods applied to address the various risks involved in international exchange operations.

59. This part of the comprehensive study tries to provide a deeper understanding of the role played by two sectors—financial services and insurance—in the performance of the foreign trade sector, and especially in the performance of small exporters in the ESCWA member countries, by endeavouring to do the following:



- (a) Study the prevailing situation in the area of foreign trade services with regard to finance, payments, risk management and insurance;
- (b) Evaluate the influence of central banks and government authorities on the work of these sectors and the efficiency of their services;
- (c) Identify the basic problems confronting small exporters in the search for appropriate sources of finance and guarantees and in the management of both trade and non-trade risks;
- (d) Establish opportunities for raising trade efficiency levels and for better exploiting the sources of finance, guarantees, and insurance available at both the national and regional levels.

60. In the light of the findings of the field study, the following conclusions and recommendations have been reached on the efficiency of banking and foreign trade insurance services in the ESCWA member States:

### 1. Conclusions

- (a) The basic problem with export financing services is not that there is a shortage of financial resources available in banks, but rather that such resources are inefficiently distributed. The export sector's share of the volume of bank credit is small, not only in proportion to the volume of credit available for facilitating the importation of goods and the operations of the other economic sectors, but also in proportion to the amount of such finance needed by the export sector. The situation is exacerbated by the fact that the banks ask for very large guarantees, both in cash and in kind, for the credit offered to small and medium-sized businesses. As a result, many of these exporters are denied the opportunity to obtain sufficient finance for their operations, which diminishes their capacity to enter foreign markets and deal with the strong competition there. A factor which aggravates the suffering of small exporters, reducing their chances of success and interfering with the growth of their production and exports, is the paucity or lack of national agencies capable of providing the required guarantees for export credit;
- (b) Among the ESCWA member States, only Egypt and Jordan have banks specializing in export finance. However, the finance provided by such banks to exporters in Jordan, especially small exporters, is not adequate. Consequently, the banks' actual role in developing the export sector has not reached the desired or expected level;
- (c) Regional financing programmes have not been able to achieve their expected targets in the development of the export sector, as they have not as yet "broken the barrier" to reach small exporters. This is due in large part to the method of managing lines of credit, offered by such institutions mostly through domestic banks, which usually exclude small exporters from financing opportunities. Behind this is the same problem referred to above, namely, the guarantees demanded by the bank for granting credit;
- (d) The high interest rates on the various kinds of credit provided lowers the margin of profit for many small export enterprises and consequently limits their ability to fix competitive prices for their products;
- (e) The lack of adequate sources for securing guarantees for exports against the risks of default, at reasonable terms suited to the needs and potential of exporters, especially small exporters, adversely affects the possibilities for growth and increased efficiency in the export sector, in the following manner:
  - (i) It narrows the market and reduces the number of clients an exporter can deal with;
  - (ii) It leads to the acceptance of uncompetitive and sometime unfair terms of trade;

- (iii) It heightens dependence on documentary credit as a safe means of payment, thereby denying exporters the chance to deal with many foreign importers in major markets such as the European and the United States markets who prefer means of payment that are less costly and do not require so much time and effort.
- (f) The fact that business deals are small or irregular reduces opportunities for profiting from certain untraditional means of financing such as "factoring" or "forfeiting";
- (g) The current indicators in the region do not augur well for the possibility of developing non-bank electronic channels for transmitting documents and payments, although the use of the Swift system has spread as a means of transmitting messages and cash remittances electronically between banks in the ESCWA member States;
- (h) The role played by central banks in developing the potential and promoting the competitiveness of the export sector is either quite weak or quite advanced in the region, except in two countries—Egypt and Jordan;
- (i) Marine insurance services, which are available in most countries of the region, need to be developed; more attention should be given to the quality of the services rendered.

## 2. Recommendations

- (a) Because it is not feasible to expect banks to deal with a large number of small clients, it may be useful to transfer part of the banks financing assets into non-banking financial institutions or special funds to provide financing for small exporters who have the potential for viability and growth;
- (b) Central banks may encourage merchant banks to finance export operations by increasing the liquidity of the financial assets available for export support in one of two ways:
  - (i) Through the creation of a special fund for refinancing these assets;
  - (ii) Through the creation of a secondary market for buying and selling such financial assets so that the banks may liquidate them if necessary.
- (c) More attention should be paid to finding practical solutions to the problem of the guarantees required for export loans. One solution would be to establish funds or institutions specializing in providing this kind of service to small exporters;
- (d) Interest should be shown in examining the possibility of establishing non-governmental export institutions or "export houses". They could manage all the export-related affairs of a great number of small exporters who lack the ability to deal directly with foreign clients and with public and private domestic institutions and bodies. A small exporter would deal only with the export house or institution, which would handle the drawing up of contracts with foreign importers, the identification of opportunities with regard to finance, insurance and appropriate guarantees, and the preparation of the various documents required to finalize the export operation, as well as other formalities;
- (e) There should be a greater reliance on non-governmental organizations (NGOs) in creating the right climate for developing the efficiency of financial and insurance services related to foreign trade. Interested NGOs could organize workshops, seminars and training programmes for the achievement of various objectives, including the following:
  - (i) Raising the awareness of exporters with regard to banking and insurance by acquainting them with the available channels through which finance and insurance can be obtained, the

advantages and disadvantages of each, how to secure access to the resources they need, and so on;

- (ii) Helping small exporters understand how to deal with and prepare the necessary documents for merchant banks;
- (iii) Developing awareness of topics such as guaranteeing exports against various risks, untraditional financial instruments, and technical development in dealing with markets;
- (iv) Explaining the different policies of marine insurance companies and the conditions involved, including those conditions which could constitute a future obstacle to the exporter's success in obtaining appropriate compensation.

(f) Maximum advantage should be taken of opportunities to rely on regional sources of finance available to exporters. This can be achieved by raising the level of coordination between the agencies managing the available lines of credit, on the one hand, and the agencies concerned with the development and application of export development programmes, on the other hand. Appropriate means should also be found for using these agencies in the provision of the finance needed to meet the needs of all exporters, including small exporters;

(g) The interest currently being shown in export development and efficiency is limited in scope. It should be shared by all the countries of the region, which requires that concerted efforts be made by the governmental organizations to draw up appropriate plans for the achievement of this objective, paying particular attention to the promotion of the principle of specialization in export-oriented production;

(h) Efforts, both governmental and non-governmental, currently being made separately by each party should be coordinated to establish a database for both financial and non-financial information to serve all those interested in foreign trade.

## V. TRANSPORT

61. Transport and trade operations are closely interconnected. Transport efficiency is an essential condition for trade efficiency. The developed transport systems in the West have played a major role in raising the efficiency of trade among the nations of the developed world, while the difficulty and high cost of transport which persist in third world countries have been one of the factors that have adversely affected the movement of trade between these countries.

62. Trade in goods consists of two main operations: the first involves drawing up a contract between the seller and the buyer once a certain deal is concluded; the second involves the transportation of the contracted commodity from its place of origin to the place of delivery specified in the contract. The two operations are closely tied to one another, to the point of being interdependent.

63. Contracting between the seller (the exporter, producer, agent or distributor) and the buyer (the importer, consumer, wholesaler, retailer, agent or distributor) usually involves a tender (price quotation) from the seller and a purchase order from the buyer, accompanied by a letter of guarantee specifying the conditions they have agreed upon. During the contracting process, the specifications, size and price of the commodity are agreed upon, and the means of transporting it, its time of delivery, the means of ensuring its safe delivery, the validity, method and time of payment, and the terms of securing the contract's implementation are specified. The means and cost of obtaining finance are discussed during the negotiations conducted prior to the signing of the contract and are covered by various contractual clauses. All of this is greatly and fundamentally influenced by the cost and level of the services available for transporting a commodity from its source (the seller) to the delivery point (the buyer) and any associated services,

procedures and restrictions. It is for this reason that the transportation of the commodity contracted is of such great importance.

64. A description of the transportation of a given commodity may appear complex, as the means of transport and the kind of vehicle used varies from one deal to another, depending on the type, volume, specifications, and source of the merchandise, and on the country and place of delivery. It is well known, however, that about 90 per cent of world trade passes through seaports. It is possible, therefore, to describe the transport operation as the conveyance of a commodity from the source (place or places of production or storage) by land (road or railway) to the port(s) of export, thence by sea to the port of entry for the import. This is usually done across many ports, which necessarily increases the time of the trip and also, perhaps, the risks posed to the safety of the merchandise, then by land again (road or railway) to the place of delivery. Such a trip involves accompanying services and is subject to various factors which greatly affect the time and cost of the transport process. There are the services, restrictions and procedures of the land transport companies, port services, shipment services and container services to consider, as well as the customs procedures and border-crossing formalities, whether in the export or import countries or in an intermediate country through which the commodity transits, by land or by sea. The level and cost of such services are undoubtedly influenced by the general political and economic situation in each country, by the conditions and procedures established for the international transport system in each, and by the degree of integration and harmony between the international transport systems and procedures in these countries at both the regional and international levels.

65. This explains the extent to which the efficiency of a trade operation depends on transportation efficiency. It must be remembered that both the seller and the buyer, anywhere in the world, want the deal to be done. Each wants the high quality commodity to arrive safely in the market in good condition, at the right time, and at a suitable sales price, taking into account the current competition in the market. The carrier (the operator of the transport fleet) would like to provide the best possible commodity transportation services in terms of cost, time and safety. Consequently, the three major parties to the trade operation (seller, buyer and carrier) expect the other agencies taking part in the trade operation (banks, insurance companies, owners and operators of transport networks, customs bodies, land and sea border authorities, seaports and airports) to contribute, to the maximum possible extent, to the development of the infrastructure of the international transport system, and to develop their methods of management, operation, and maintenance. They expect them, too, to simplify procedures and facilitate all services, but without neglecting other important tasks (such as security matters at border points), making use of all the scientific and technical developments in transport, communications, management and information. This is available to a great extent in the developed countries in Western Europe and North America and in East Asian countries. The situation in the developing countries, including those in Western Asia, is very different. The study offers the following observations on the status of the transport sector and its influence on the efficiency of trade operations in the ESCWA member States:

(a) The difficulty and complexity of transport, customs and border-crossing procedures in and between the ESCWA member States have an adverse effect on the region's trade at both the intraregional and international levels. There is a need, therefore, to reduce the cost of transportation and communications, to decrease transport time, and to facilitate, simplify, and speed up trade, customs, border-crossing and other procedures for all exportable products, as such steps could increase the volume of foreign trade in the region's States. The adoption and development of an integrated transportation system in the ESCWA region would contribute greatly to strengthening the position of the region's traders and to developing their competitiveness in international trade, industries and services;

(b) There have been marked discrepancies in the development of domestic and international road networks in the ESCWA member countries, in terms of the time taken in the construction of paved roads, the lengths completed, and the technical specifications applied. There is no agreement among the region's States on the definition of "international road" or on a uniform international numbering system for roads;

each State has its own national numbering or naming system. It is therefore necessary to establish a well-defined system of numbering for the international road network in the region;

(c) Land transport between ESCWA member countries is governed by a number of bilateral, multilateral and international agreements. International agreements have a major effect, as they establish a common understanding with regard to legislation and order between all countries of the world. The International Convention on the Simplification and Harmonization of Customs Procedures, known as the Kyoto Convention, is one of the most important instruments in this field, but thus far no Arab States have acceded to it. The customs convention on the International Transport of Goods under Cover of TIR Carnets (the TIR Convention) is also important for land transport. Some ESCWA member States, namely, Jordan, Kuwait, Lebanon and the Syrian Arab Republic, have recently acceded to this agreement. It must be stressed here that the TIR Convention contributes effectively to the facilitation of transit traffic between the signatories and enjoys many guarantees from the International Road Transport Union (IRU). The Agreement on the Organization of the Transit of Goods between Arab League States, signed by members of the League of Arab States in 1977, is one of the most important agreements signed by all Arab countries; however, there are still a number of impediments to its success;

(d) There is no Arab agreement dealing specifically with the technical specifications for road and railway networks and related installations such as bridges and border facilities. The agreements concluded by the United Nations Economic Commission for Europe should be looked into; the other Commissions have expressed an interest in them and have been working for their implementation. The two major agreements in this field are the European Agreement on Main International Traffic Arteries (AGR) of 1975 and the European Agreement on Main International Railway Lines (AGC) of 1985. Agreements of this type would contribute to reducing the time needed for the transport of people and goods, which should stimulate the movement of trade between the region's States;

(e) There is a lack of clear integration between the road network and other transport links such as railways. Railway systems are found in only five countries in the region and in each case serve one or more specific purposes—a fact that precludes the adoption of multimodal transport policies.

66. In the light of these conclusions, the study presents the following recommendations:

(a) The countries of the ESCWA region should agree to establish and develop an integrated transport network which includes the major junctions and main ports within the region.

(b) Agreement should be reached on the technical and engineering specifications for the various junctions and on the speed limits, the kinds of signs and signals used (in terms of size, colour, the language used and so on), maximum weight allowances, and the quality and level of the services required there. It may be beneficial to make use of past experience in this field. Of special interest are those agreements formulated by the Economic Commission for Europe concerning the technical specifications and infrastructures of the junctions as well as the facilitation of traffic and transit procedures at these junctions.

(c) A common maritime transport policy for the region should be drawn up. There should be cooperation in the development of national fleets, coordination with regard to accession to international agreements on maritime transport, the facilitation of traffic and services connected with this kind of transport, the encouragement of intraregional trade, and cooperation on maritime safety.

(d) A specialized study should be prepared on Arab coastal transport. It should include an exhaustive list of small ships of every type and should specify the best types suited to Arab coasts and the type and volume of merchandise recommended for each. In addition, the study should address issues relating to maritime transport systems, maritime safety, means of combating marine pollution, and coastal ports and their technical potential, systems, available services, and wage and price structures.

(e) The plans and projects drawn up for the ports of the countries of the region should be coordinated with a view to avoiding duplication, harmful competition, and any waste of financial resources.

(f) National and regional financing institutions should direct some investment to maritime transport, financing the building and owning of ships, especially container ships, oil tankers, and small ships fit for coastal transport between the region's States.

## VI. TELECOMMUNICATIONS

67. The telecommunications sector is one of the most important sectors for trade efficiency. Its importance has grown with the increase and expansion in the use of electronic commerce (e-commerce) owing to the convergence achieved between telecommunications and information technology. In spite of the impressive developments in telecommunications networks and services in the developed countries, most countries of the world still face difficulties in providing traditional telephone lines for their citizens. Recent statistics indicate that only 20 per cent of the 600 million telephone lines available throughout the world in 1996 were in the developing countries, even though they accounted for 85 per cent of the world population. Telephone density, that is, the number of telephones per 100 persons, varied greatly from one country to another in 1996, ranging from 0.07 per cent in Cambodia to 100 per cent in Monaco; the global average was 13.3 per cent.

68. With the diversity of telecommunications services available on the networks, telephone density is no longer an adequate criterion for a given country's level of advancement in this respect. Other criteria have been introduced for measuring the degree of a country's preparedness to provide telecommunications services to its citizens in general and to the business community in particular. Some of the most important additional criteria are those relating to the use of the computer, the Internet, and mobile cellular telephones. The gap between developed and developing countries in terms of such criteria has, however, added new burdens to those already carried by the developing world in its efforts to achieve the same level of progress as the developed world. The number of Internet users at the world level increased from 3 million in 1994 (mostly in the United States) to 100 million in 1998. The figure is expected to reach 1 billion by 2005.

69. Telecommunications networks were first used to transmit trade data in the 1960s, with such use becoming firmly established in the 1970s. In the 1980s large institutions and departments started to rely on the electronic interchange of data through special networks for business purposes, which speeded up business transactions and reduced the use of traditional, paper-based forms of correspondence. Electronic media are very expensive to use, however, small and medium-sized enterprises and institutions find the cost difficult to bear. The use of telecommunications for such purposes became widespread only after the spread of the Internet and its primary applications including electronic mail (e-mail) and file interchange. All these technological developments have paved the way for network-channelled electronic commerce, or e-commerce.

70. The impact of these new developments on traditional trade methods and on trade efficiency and productivity levels will be incomparably great. Though the use of e-commerce on the Internet is a fairly recent phenomenon, having appeared only in the last two years, by the year 2002 the volume of electronically mediated trade will be worth about US\$ 300 billion.

71. The study prepared by ESCWA on the relation between trade and the telecommunications sector consists of two parts. The first is concerned with the present status of global telecommunications and its connection with trade efficiency requirements. In order to establish the global nature of the telecommunications sector, International Telecommunication Union (ITU) indicators have been used to come up with worldwide averages that can easily be compared with averages for the ESCWA member countries, either individually or as an economic or geographic bloc. As for trade efficiency, an UNCTAD model adopted in 1994 has been used to explain the linkages between the six trade-supporting sectors.

Though UNCTAD has recently developed a model that differs from the previous one, the two embody similar concepts.

72. The second part of the study deals with the telecommunications sector from a regional perspective and the relationship between trade efficiency and the telecommunications sector in the region.

73. The field studies prepared on this topic include the following conclusions with regard to the status of the telecommunications sector in the GCC States and the more diversified economies in the ESCWA region:

(a) The people living in the GCC countries represent no more than 18 per cent of the ESCWA region's population but have 40 per cent of the telephone lines, 78 per cent of the mobile phones, and 52 per cent of the Internet subscriptions in the region;

(b) The telecommunications indicators for the ESCWA member States as a group are below the global averages in many respects. Those for GCC countries are higher than the world figures in some cases, while those for the other ESCWA member countries are lower;

(c) The telecommunications sector in some countries of the region is beginning to join the global trends involving restructuring and the separation of operational activities from policy and planning activities. Some of these countries have abolished certain monopolistic practices in the telecommunications sector, especially those relating to mobile phones and the Internet;

(d) The prices charged for telecommunications services are still high in the region. The business community suffers most in some States, as line installation costs and subscription rates are often higher for commercial subscribers. In addition, those applying for a new telephone line may be placed on a waiting list and face delays. In some countries these delays can exceed seven years, while the average waiting period worldwide is less than one year. The waiting period in some countries, including Lebanon, Qatar and the United Arab Emirates, is less than one week;

(e) The telecommunications sector is still in need of a clear and uniform policy to ensure that it stays abreast of the developments taking place worldwide. Databases of current indicators constitute one of the most important means of monitoring the performance of this sector, as such indicators represent an important tool for gauging development and comparing it with that taking place in other parts of the world, particularly in countries with similar income levels;

(f) The countries of the region share a number of common concerns relating to the identification of policies and strategies for this sector. Issues of particular relevance include the position of the region's States on the WTO Agreement as it relates to telecommunications and the need to harmonize those measures that should be taken, the structure of telecommunications rates at the international and regional levels, international and regional satellite communications, global partnerships, and regional investments. An appropriate regional climate must be created for the serious consideration of these and other relevant concerns, a climate that supports the organization of specialized meetings and seminars to discuss important issues and the carrying out of any in-depth studies that may be required before positions are adopted with regard to these issues.

Annex

**A PLAN OF ACTION FOR THE ACHIEVEMENT OF  
TRADE EFFICIENCY IN THE ESCWA REGION\***

1. At the conclusion of the Seminar on Trade Efficiency in the ESCWA Member States, held in Beirut from 30 November to 2 December 1998, a plan of action prepared by ESCWA in consultation with the United Nations Conference on Trade and Development (UNCTAD) and the Economic Commission for Europe (ECE) was presented, consisting of the following proposals:

(a) Recognizing the increased importance of reducing procedural barriers to trade and speeding up the movement of goods and thereby achieving a substantial increase in the trade of the region, the meeting advised the Governments of member countries to take action in this field and to promote trade and economic development;

(b) The introduction of trade facilitation and trade efficiency techniques could not be imposed on any member country; however, the meeting strongly advised member countries to give serious consideration to these techniques and to take appropriate action.

2. In this context, member countries were reminded that trade facilitation was receiving increasing attention in several international forums such as the World Trade Organization (WTO), the Organization for Economic Cooperation and Development (OECD) and the World Customs Organization (WCO) because of its great potential for eliminating barriers to international trade and upgrading emerging economies in the international marketplace. Taking of all the above into account, the meeting suggested that the member countries should, as part of the overall plan of action, do the following:

- (a) Adopt trade efficiency as a target in government commercial policy;
- (b) Establish a "facilitation committee" based on the following guidelines:
  - (i) Ideally, a minister from the ministry of trade or transport should chair the committee;
  - (ii) Members of the committee should be at the level of director general;
  - (iii) The Government and the private sector should be equally represented in the committee;
  - (iv) Members from the public sector would include representatives of the ministry of transport, the ministry of trade/economy, the ministry of telecommunications, the ministry of finance, the ministry of justice, the customs authority and the central organization for statistics;
  - (v) Members from the private sector should include representatives of the chamber of commerce/ chamber of industry, private banks, trade and industry associations, insurance companies, transport companies and clearance agencies;
  - (vi) The facilitation committee should be established by a decree issued in the Government's official gazette;
  - (vii) The expected lifetime of the facilitation committee would be four to five years;

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\* See the "Report [of the] Seminar on Trade Efficiency in the ESCWA Member States, Beirut, 30 November - 2 December 1998" (E/ESCWA/ED/1998/7).



- (viii) The facilitation committee would need a secretariat. The cost of the secretariat should be covered by either the public sector or the private sector, or they could share the expenses. If the private sector paid, it could collaborate with the Government as a partner;
- (c) Establish a subcommittee to investigate each separate issue, preferably one for each of the sectors identified in the present paper. The nature of the subcommittees would be technical, and membership would be decided according to each participant's area of expertise. Each subcommittee would disband after completing its task. The following guidelines could apply:
- (i) Subcommittees would have to allocate work among themselves. The task of each subcommittee would be to identify problems and suggest solutions;
  - (ii) Members of the subcommittees should be technical experts at the level concerned. For example, the subcommittee on banking and insurance should consist of representatives of the central bank, large commercial banks, finance and insurance companies, and the chamber of commerce/chamber of industry;
  - (iii) The subcommittees should report their recommendations in writing to the facilitation committee. Upon completion of their respective tasks, they would each be required to submit a final report;
  - (iv) A realistic time frame for completion of the work of each subcommittee would be one year; however, this could be extended if necessary;
  - (v) At the subcommittee level, UNCTAD, ECE, the International Trade Centre, the WTO, or the International Chamber of Commerce would be able to answer any question that might arise;
- (d) Streamline the workload for the above-mentioned organizations by having ESCWA serve as a focal point for queries from subcommittees in each country. ESCWA would be able to screen and organize the queries, if necessary, before passing them on to the organizations concerned. The following should be kept in mind:
- (i) ESCWA should have a regional adviser on board; from three to six months of training in Geneva would be required to prepare the regional adviser for his/her duties;
  - (ii) The ESCWA regional adviser could also serve as a focal point for coordination among facilitation committees at the country level for the purpose of achieving trade efficiency at the regional level;
  - (iii) Upon the completion of its final report, each committee could submit it to ESCWA, which could consult with UNCTAD and other international organizations, as appropriate, for final comments;
  - (iv) ESCWA could, during its work as a focal point, identify where training courses and consciousness-raising courses would be needed. These courses could be jointly organized by the ESCWA secretariat, the ESCWA member countries and various international organizations. The member countries, however, would have to bear in mind that they would have to cover or at least partially defray the cost of the courses;
- (e) Coordinate and harmonize between the recommendations and plans of action submitted by each subcommittee once the final reports have been submitted to the facilitation committee.