**Assessment of Diverse International Trade Facilitation Measures: The Case of Jordan and Hong Kong**

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**ABSTRACT**

Trade facilitation by way of simplifying trade procedures has long been worked by various international organizations. After the World Trade Organization reached its Trade Facilitation Agreement (TFA), enforcing the agreed-upon trade facilitation measures became mandatory upon all members of the WTO, of which Jordan belongs. In this research, the WTO TFA and other trade facilitation scopes, particularly those used by the so-called “Annex D” organizations are reviewed and assessed. In addition, the trade facilitation statuses of Jordan and Hong Kong are compared and contrasted.

The assessment of various international organizations’ trade facilitation measures showed that each international organization used to focus on different scopes of trade facilitation as covering transportation, logistics, and infrastructure. For the comparative analysis between Jordan and Hong Kong, the OECD trade facilitation indicators show that Jordan’s scores on “Fees and Charges,” and “Governance and Impartiality,” etc. are lowest. When comparing both regions’ Logistic Performance Index (LPI), Jordan needs to improve particularly in the areas of “Customs,” “Infrastructure,” and “Logistics Competence.”

Most importantly, Jordan needs to follow Hong Kong’s dedication to implementing on all articles of the WTO TFA without any exception. It is suggested that Jordan should start to working on “Uniform Forms and Documentation Requirements” for its cost-effectiveness. All these suggestions from the analysis with Hong Kong are expected to provide Jordan with practical steps to improve its trade facilitation and trade industry.

**1.1 Introduction**

Trade between countries is expanding due to the phenomena of globalization. Founded in 1995, the World Trade Organization (WTO) has been working steadfastly towards free trade among countries. However, for reasons varying from the protection of domestic infant industries from larger, more powerful competitors to yielding government revenues, many countries are slow to remove the trade barriers. To rid of these trade barriers, international organizations began to negotiate trade facilitation agreements by. According to the WTO’s definition, trade facilitation is basically the “simplification of trade procedures.” Expediting trade facilitation by focusing on the various parts of trade procedures such as Customs, documentations, and clearance makes trading activities flow much smoother, quicker, and cheaper. After years of researching the issue as well as negotiations, the WTO finally reached an agreement on the articles of Trade Facilitation in Bali, 2013, thus making trade facilitation a mandate for all WTO member countries to obey (WTO, 2015).

After the TFA of WTO in 2014, international organizations and countries started to pay attentions to the expedition of the TFA’s provisions. This agreement has distinguished itself from the trade facilitation of other organizations because it imposes a binding force on WTO members. Jordan has been a member in the WTO since October, 2000. As a WTO’s member, Jordan also has an obligation to enact the mandates of the TFA. The country’s trading sector has great potential because it has the geopolitical advantage of being located in the center of Middle Eastern region. Even though it lacks many natural resources, strong economic growth may still be achieved through more investments for foreign trades.

Trade facilitation implementation in Jordan began in 2003. More recently, Jordan notified the WTO’s Preparatory Committee of Trade Facilitation as to which provisions it could complete (WTO, 2014). Implementing trade facilitation has been expected to increase the amount of trade by decreasing the costs of trade in Jordan.

Hong Kong is ranked as one of the best open markets according to various recognized international reports. It is ranked as the top, over all other countries, in both the “Economic Freedom of the World: 2015 Annual Report” as well as in the “2015 Index of Economic Freedom.” In its “Open Market Index 2015,” the International Chamber of Commerce (ICC) ranks Hong Kong second only to Singapore as the most open country.

Hong Kong is a great example to compare and contrast with Jordan to study the trade facilitation experience as both regions lack many natural resources. Both economies also depend heavily on service industry and trade. Hong Kong is dedicated to providing the best trade-related services to international businesses. Due to these efforts, seven million of Hong Kong’s people have achieved a high per capita gross domestic product of $42,400 at market prices in 2015. Most notable of all, in December 2014, Hong Kong became the first country to enact every single provision of the WTO’s TFA without any exclusion (WTO, 2014).

Hence, the main questions of this study are:

1. How far has the WTO Trade Facilition Agreement has been implmented in Jordan?
2. How far has Jordan’s experience in trade facilitation progressed compared to the experience of Hong Kong?
3. What are the gaps in the Jordan’s trade facilitation implementation?

And the objectives of this study are to:

1. Specify the terminology of trade facilitation and its various measures.

2. Compare and contrast the status of trade facilitation in Jordan to that of Hong Kong.

3. Indicate priorities that will establish better quality trade facilitation practices in Jordan.

Understanding Hong Kong’s experience in trade facilitation provides valuable and practical lessons for Jordan in terms of how to improve both its trade environment and trade facilitation implementation.

**1.2 Methodology**

For the assessment, each scope of trade facilitation from different international organizations so-called “Annex D” organizations – the Organisation for Economic Co-operation and Development (OECD), the United Nations Conference on Trade and Development (UNCTAD), the World Customs Organization (WCO), and the World Bank– carefully examined. The contents in the TFA by consensus of WTO members were used as the fundamental standards by which to evaluate whether these measures were set up to cover all those issues. Often, different terminology was used for the same measures. Thus, a more in-depth comparison was required in the research.

After the measures of trade facilitation were assessed, the next step was researching each region’s overall trade facilitation status. Data of each region was collected from various sources of government authority and international organizations. Comparing and contrasting the methods of handling the issue of trade facilitation in Jordan and Hong Kong, China was necessary in order to form strong conclusions and workable solutions. The results of this trade facilitation study provide policy recommendations aimed at improving Jordan’s implementation of the mandates within the TFA.

**2.1 Diverse International Trade Facilitation Measures**

Some international organizations were working on the subject of trade facilitation even before the WTO started negotiations on it. Each organization used to have a different range of definition and scope in terms of trade facilitation measures. Knowing how each international organization defines trade facilitation is an important factor because it is the driving force behind diversity of trade facilitation measures.

**2.1.1 Scopes of Trade Facilitation by International Organizations**

**The World Trade Organization’s Trade Facilitation Agreement**

The first time that the WTO discussed the concept of trade facilitation was at the Singapore Ministerial Conference in 1996 with the goal to “undertake exploratory and analytical work on the simplification of trade procedures in order to assess the scope for in the area.” Under the incremental phenomenon of economic liberalization in the new century, trade facilitation was re-emphasized in 2001 when the WTO Ministerial Conference placed it on the Agenda of the Doha Round (UNCTAD, 2010, p.1). In July 2004, WTO members formally agreed to launch negotiations on trade facilitation, on the basis of modalities contained in “Annex D” of the so-called “July package” (WTO, n.d.). Under this mandate, General Agreements on Tariff and Trade (GATT) Article V (Freedom of Transit), Article VIII (Fees and Formalities Connected with Importation and Exportation), and Article X (Publication and Administration of Trade Regulations) were fixed as the only scopes of the WTO trade facilitation. The WTO expected its narrowest scope of trade facilitation to promote greater participation of countries with different needs.

Since the WTO arrived at an explicit consensus on trade facilitation on the basis of the principles and modalities set out in “Annex D” of the July 2004 Package, various international organizations have made efforts to converge their trade facilitation measures with the provisions of the WTO TFA. “OECD Trade Policy Working Paper No.118” (2011) emphasized this when stating that the structure of the WTO’s negotiation process was followed closely in order to maintain the relevance of the resulting OECD trade facilitation indicators.

The eighth paragraph of “Annex D” stated that “Members shall invite relevant international organizations, including the International Monetary Fund (IMF), OECD, UNCTAD, WCO and the World Bank to undertake a collaborative effort.” These organizations have also been referred to as the“Annex D” organizations within the WTO. The rest of this chapter assesses the different trade facilitation of the Annex D organizations. However, even though the IMF is one of the biggest supporters of trade facilitation, it does not have its own resources or publication dedicated solely to the topic. For this reason, its effort on trade facilitation is not assessed in this chapter.

**OECD Trade Facilitation Indicators**

Researchers from the OECD have created trade facilitation indicators which correspond to the main provisions the WTO TFA. The WTO definition of trade facilitation, “simplification of trade procedures,” is adhered to by the OECD’s work on trade facilitation (Moïsé et al, 2011, p. 7). These indicators were developed in order to help governments improve border procedures, reduce trade costs, increase trade flows, and maximize benefits from international trade. By utilizing these indicators, governments can identify areas requiring action and assess the expected impact of reforms (OECD, 2015). The WTO TFA’s 12 families of measures have been re-organized for the OECD’s Trade Facilitation Indicators. An additional indicator meant to assess the elements of good “Governance and Impartiality” of border administrations was also added (Moïsé et al, 2011, p. 8). In addition, WTO TFA Article 11 Freedom of Transit is not used as separate indicators (Moïsé et al, 2011, p. 8).

 OECD researchers who devised trade facilitation indicators discovered that some OECD indicators have a larger impact than others on trade flows and trade costs. The indicators considered to have the greatest impact on trade volumes and trade costs for manufacturing goods are “Advance Rulings,” “Fees and Charges,” “Formalities – Automation,” and “Formalities – Procedures” (Moïsé et al, 2011, p. 26). This result helps policy makers to set their priorities when trying to improve trade facilitation in their countries.

**UNCTAD Trade Facilitation Measures**

UNCTAD defined that “any measure that eases a trade transaction and leads to time and cost reductions in the transaction cycle fits into the category of trade facilitation” (2005, p. 7). UNCTAD conincided with WTO negotiations on trade facilitation, which were to “…clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 with a view to further expediting the movement, release and clearance of goods, including goods in transit” (2005, p. 8). Moreover, UNCTAD advocates that “trade facilitation should also be linked to investments in transport infrastructures and other trade-supporting services” (2015, p. 1). Staples (2002, p. 141) described that “transport initiatives (of UNCTAD) ...bring together all transport stakeholders within a country to create and promote policies which enhance the efficiency of trade facilitation.” In addition, OECD researchers commented that UNCTAD uses a wider definition of trade facilitation that includes Customs, transport and transit issues, banking and insurance, business practices, and telecommunications (Moïsé et al, 2011, p. 7).

UNCTAD has suggested practical steps to implementing trade facilitation measures in order to assist developing and least-developed countries in modernizing trade, transport and Customs operations, maintain transparency in trade-related transactions, encourage more trading activity, quicken the flow of goods across borders, and improve revenue collection (UNCTAD, 2005, p. 8). In 2010, the two notes, “Maintenance of Integrity Amongst Officials” and “Documentation Requirements in Maritime Transport” have been erased in UNCTAD’s Technical Notes as they no longer relate to any WTO proposal (UNCTAD, 2010, p. 1). “Maintenance of Integrity Amongst Officials” had some similarity with the OECD’s indicator, “Governance and Impartiality.” Though OECD still includes this indicator, which has no relationship with any of the WTO articles, UNCTAD has removed it from its measures.

**World Customs Organization Trade Facilitation**

The WCO has been a long-time supporter of the results reached at the WTO TFA and responded to calls to implement the agreement by “standard setting, developing a pool of experts, providing capacity building and enhancing a Customs network” (WCO, 2014a, p. 1). Article 23.1.5 of the WTO TFA recommends that the Trade Facilitation Committee to maintain “close contact with the World Customs Organization for the objective of securing the best available advice for the implementation and administration of the Trade Facilitation Agreement.” Also, it is stated that working with the WCO will help to ensure that “unnecessary duplication of effort is avoided” (WCO, 2015, p. 10).

The WCO no longer provides its own separate measures on trade facilitation so as to reduce misinterpretation and to “achieve harmonized TFA implementation by Members” (WCO, 2015, p. 14). Instead of its own measures, “Analysis of Section I” (WCO, 2014c) indicates “WCO Instruments, Tools, and Guidelines” which are relevant to each article of the WTO TFA. Similarly, one of the WCO working documents titled “Performance Indicators for Agreement on Trade Facilitation**”** (2014b) uses the articles of the WTO TFA as a base frame.

The WCO went on to highlight its role in the implementation of trade facilitation by stating “the technical provisions of the Trade Facilitation Agreement – in particular, Section I – are substantially Customs-related, with 98% of the provisions to be implemented fully or partially by Customs” (2016, p. 8). The WCO then continues by gauging the degree of necessary involvement by the Customs Administration in each provision of the WTO TFA. All of these works based on the WTO TFA shine a spotlight on the WCO’s effort to fully reflect the WTO agenda in terms of actual implementation.

**The World Bank Group (WBG) Trade Facilitation**

The WBG has worked “with developing country policymakers and private sector leaders to increase connectivity and facilitate trade in line with twin goals of eradicating extreme poverty and increasing shared prosperity” (2014). The WBG defines trade facilitation in a far broader manner than other organizations do. Orliac (2012) explained that “the World Bank follows a broader approach including Customs reforms, regulatory frameworks and standards, but also logistic and infrastructure issues” (p. 20). Mustra, a trade facilitation and logistics specialist for the World Bank, mentioned “this wider definition implies that trade facilitation concerns logistics, transport facilitation, and trade related infrastructure, with the simplification and rationalization of regulatory and commercial procedures and the elimination of unnecessary red tape” (2011, p. 23).

In reviewing the areas of the World Bank’s trade facilitation projects, it is found that it has a holistic perspective of trade facilitation. Transport, Logistics and Infrastructures are core components in the World Bank’s spectrum of trade facilitation. These are obviously beyond the generally accepted definition and scope of trade facilitation as defined by the WTO. The World Bank’s investments help countries to implement modernized systems in border-crossing and to develop trade-enabling infrastructures.

 The World Bank does publish the well-known “Logistics Performance Index” (LPI). This index helps countries identify the challenges and opportunities in their trade logistics performance in addition to what can be improved upon. Another reputable report from the World Bank, “Doing Business,” which provides useful information to many businesses and countries, includes “Trading Across Border” as an indicator. These sources can be relevant World Bank indicators when measuring trade facilitation-related matters in various countries.

**2.2 Assessment of Diverse International Trade Facilitation Measures**

In this section, the factor below is applied to the assessment of these diverse international Trade Facilitation Measures:

* The scope of the definition of trade facilitation used in measures and whether those measures reflect the WTO TFA.

For the assessment, the study of diverse trade facilitation measures in the previous part of this chapter is helpful in identifying the components of trade facilitation used by the Annex D organizations. Table 2.1 illustrates the diversity of scopes covered in each international organization’s definition of trade facilitation.

**Table 2.1: The Scopes Covered in the Definition of Trade Facilitation in Each Measure of Individual International Organization**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ScopeTF Definition in | **Trade Procedures** | **Customs** | **Governance and Ethics** | **Transportation** | **Logistics and Infrastructure** |
| **The WTO Agreement** | ○ | ○ |  |  |  |
| **OECD Indicators** | ○ | ○ | ○ |  |  |
| **UNCTAD Measures** | ○ | ○ | Excluded in 2011 | ○ |  |
| **WCO Instruments** | ○ | ○ |  |  |  |
| **The World Bank LPI** | ○ | ○ |  | ○ | ○ |
| **Narrower Broader** |

Source: Author (2016).

 The WTO TFA uses the narrowest scope in its definition “the simplification of trade procedures.” Almost all articles of the agreement are engaged in Customs. The OECD Trade Facilitation Indicators were devised to discover each indicator’s cost-benefit effect and reflect all articles of the WTO Agreement except “Governance and Impartiality” which is an indicator particular to the OECD. At one time, UNCTAD (2005) also had a similar measure in its technical notes called “Integrity and Ethical Conduct of Officials” but it was eliminated in 2010 revision. Moreover, “Transportation” has been always an important topic in UNCTAD’s Trade Facilitation Measures. The WCO has used the WTO TFA as its standard for measures, trying to provide a complementary measure to each WTO article. Unfortunately, the World Bank does not provide common measures corresponding to the WTO TFA, but it does have the broadest perspective as proved by the inclusion of “Logistics and Trade Infrastructure” in the issue of trade facilitation. The LPI of the World Bank is the most adequate indicator among various sources which can be used for the comparison in this assessment.

 Upon signing, the WTO TFA imposed binding forces on member countries, making it mandatory upon most of them to be proactive in reforming and improving their trade facilitation efforts. Therefore, it is important that each international organization’s measures fully comply with the agreement. According to the investigation in the previous sections, Annex D organizations are trying to align with the WTO TFA. Figure 2.1 shows the range of diverse measures as covering the WTO TFA.

**Figure 2.1: The Range of Reflecting the WTO TFA in Diverse Trade Facilitation Measures**

Customs

Governance

Transportation

Logistics and

Infrastructure

**OECD**

**Indicators**

**WCO**

**Guidance**

**World Bank**

 **LPI**

**UNCTAD**

**Measures**

**The WTO**

**Trade Facilitation Agreement**

Source: Author (2016).

Figure 2.1 clearly shows that the measures of the Annex D organizations largely satisfy the WTO TFA. Cooperation with any of these international organizations will help to meet the requirements of the agreement. However, the LPI does not cover all the articles of the WTO TFA. Countries can choose an organization to work with depending on what their needs of assistance are.

 Through the assessment, it is found that each set of Trade Facilitation Measures has its own characteristics and strengths. The diversities of different measures can complement each other. As a result of the assessment, the narrow and broad scopes of trade facilitation were identified. For the rest of the research, various trade facilitation measures are used to analyze Jordan and Hong Kong’s trade facilitation status.

**3.1 Comparison of Trade Facilitation Measures Adopted in Jordan and Hong Kong**

 Trade facilitation implementation is an important task for members of the WTO. It is especially important for Jordan and Hong Kong, China because international trade plays an important role in both economies. Understanding the differences between Jordan’s and Hong Kong’s situation guides the next step of trade facilitation implementation in Jordan.

**3.1.1 Trade Facilitation in Jordan**

First of all, the USAID-funded Fiscal Reform Project II (FRP II) has been working on efficiency in cross-border trade by facilitating the flow of goods in and out of Jordan in cooperation with Jordan Customs. The FRP II has supported Jordan Customs’ efforts to strengthen and upgrade various customs programs such as:

* the “Single Window;” a one-stop-shop for customs transactions,
* the “Golden List,” a program that gives preferred status in customs processing to low-risk Jordanian companies with a strong compliance history,
* “Pre-Arrival Processing” to reduce administrative barriers, shorten processing times and decrease red-channel examinations time, and
* “Central Data Processing Center” that ensures a smooth customs process, eliminates duplication and reduces both time and cost for cargo clearance between Jordan’s main border centers and the Amman Customs House (USAID, n.d.).

In addition, the FRP II helps to expedite the declaration processing at the customs houses of Jordan Customs. Jordan also fully implemented the “Automated System for Customs Data” (ASYCUDA) world which is a system created by UNCTAD to administer Customs clearance operations of countries (WTO, 2015b). The World Bank’s report for Mashreq Countries (2011, p. 67) showed that the Customs Agency of Jordan has been restructured and that its trade facilitation objective is rated as more important than its revenue generation function. “WTO Trade Policy Review by Jordan” (2015a) stated that Jordan’s Customs leads in the Middle East in the implementation of “Single Window.” In addition, it makes trade-related information available in a transparent manner.

In 2014, Jordan notified the WTO Trade Facilitation Preparatory Committee that it designated all of the provisions contained in Section I of the Agreement under Category A for implementation in full upon the entry into force of the Agreement, except for the following due to lack of technical assistance and capacity at this stage:

∙ Article 1.1 Publication ∙ Article 1.2 Information Available Through Internet

∙ Article 1.3 Enquiry Points ∙ Article 3.1 Advance Rulings

∙ Article 6.1 General Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation

∙ Article 7.1 Pre-arrival Processing

∙ Article 10.1 Formalities and Documentation Requirements

∙ Article 10.2 Acceptance of Copies ∙ Article 10.4 Single Window

∙ Article 11.5-10 Transit Procedures and Controls (WTO, 2014a).

Unfortunately, among the excluded provisions listed above, there are articles related to indicators which, according to the OECD report, have the greatest economic impact on trade volumes and trade costs such as “Advance Rulings,” “Fees and Charges,” “Formalities – Automation,” and “Formalities –Procedures” (Moïsé et al, 2011, p. 26). Furthermore, according to UNCTAD, Article 1.1 “Publication,” 1.3 “Enquiry Points,” 10.2 “Acceptance of Copies” (or “Reduction formalities and documentation requirements”), and 10.4 “Single Window” are included in the ten measures with the highest priority to many countries (2013, p. 26). Therefore, it is recommended that Jordan implement them as soon as possible via technical assistance and capacity building from various international organizations.

In the meantime, Jordan has been benefited from the WTO, various international organizations, and developed countries who are willingly provide both financial and technical and assistance to developing and least-developed countries as per the terms of the TFA. With this assistance, Jordan has been successfully able to improve its trade environment compared to other countries in the Middle East and North Africa (MENA) region (USAID, 2012). Many reports recorded Jordan is “in progress” in regards to implementing trade facilitation indicators.

**3.1.2 Trade Facilitation in Hong Kong**

“Trade and Industry, Hong Kong: The Facts” explained that “given the externally-oriented and open nature of Hong Kong’s economy, the development of international trade policy in and through the WTO is of vital importance to Hong Kong because of the possible impact on external trade, and its knock-on effect on industry and employment” (GovHK, 2016b). As a matter of fact, Hong Kong, China became the first member to ratify the TFA and to deposit their instruments of acceptance with the WTO Secretariat in December 2014 (WTO, 2015). Its government also notified the Preparatory Committee that Hong Kong, China designates all provisions contained in Articles 1 through 12 of the Agreement (annexed to the above Ministerial Decision) under Category A, which will be implemented upon entry into force of the Agreement (WTO, 2014).

 “WTO Trade Policy Review by the Secretariat” (2014c) explained that Hong Kong applies a duty-free tariff regime according to the Most Favored Nation (MFN)-basis and offers Customs procedures which are among the easiest and fastest worldwide, with virtually all Customs declarations and related documents processed electronically in its free-port. It also notes that “customs valuation is only used for collecting excise duties on four products: liquors, tobacco, hydrocarbon oil, and methyl alcohol, and on a first registration tax on motor vehicles” (WTO, 2014c).

Additionally, the Customs and Excise Department of the Government of Hong Kong introduced an electronic Road Cargo System (ROCARS) in 2010 to facilitate customs clearance (WTO, 2014b). Regarded as a measure related with Article 7.1 “Pre-arrival Processing” of the WTO TFA, ROCARS allows Customs officers to receive cargo information before the goods arrive at the land boundary (WTO, 2014b). Such a system enables the Customs and Excise Department to perform computer-based risk profiling in advance in order to determine whether or not inspection is necessary. As a result, border-crossing trucks, except those selected for inspection, enjoy smooth customs clearance at the border. ROCARS can also provide convenience to transshipment cargoes, which involve inter-modal transfers such as from land to air/sea or vice versa under the Intermodal Transshipment Facilitation Scheme (ITFS).

Hong Kong has furthered its trade incentives by reducing its Customs declaration fees and adopting other trade facilitation measures such as the Hong Kong Facilitation Scheme for Cross-Strait Transshipment Cargoes and the e-Sea Customs Clearance Scheme (e-SCC Scheme) (WTO, 2014c). The Hong Kong Facilitation Scheme for Cross-strait Transshipment Cargoes gives preferential treatment in terms of tariffs to traders from Mainland, China and Taiwan. The Customs and Excise Department (2011) describes e-SCC Scheme as mutually beneficial to both freight forwarders and Customs as it aims to simplify the existing Customs clearance procedures and to provide an e-channel for sea freight forwarders to submit house bill of lading information to Customs in advance.

Like the other measures implemented by Hong Kong to facilitate trade, the Authorized Economic Operator (AEO) Programme enhanced Hong Kong’s role as a transit hub (WTO, 2014c). In April 2012, Hong Kong started formal implementation of the AEO Programme which would grant local companies that satisfy pre-determined security criteria accredited trader status (WTO, 2014c). WTO “Trade Policy Review” by Hong Kong said that “companies accredited under this Programme are recognized by the Customs and Excise Department as trusted operators and enjoy customs facilitation, such as reduced inspection and prioritized clearance of cargoes at control points” (WTO, 2014b). Hong Kong's AEO Programme has a similarity with Jordan’s “Golden List” as both programmes are related with Article 7.7 “Trade Facilitation Measures for Authorized Operators” of the WTO TFA.

 In April 2016, the Government of Hong Kong published a consultation paper focusing on the development of the “Single Window” measure. It mentioned that the measure will bring the trading community savings in both time and cost as they no longer will need to approach different government departments separately. In addition, the governmental press stated that traders will also be able to keep track of the status of their applications and submissions 24/7 via the “Single Window” platform (GovHK, 2016a).

 Through researching Hong Kong’s trade facilitation status, it is found that advanced measures of trade facilitation were eagerly implemented which resulted in Hong Kong earning the well-deserved reputation as being the world’s freest trading hub.

**3.2 Comparative Analysis**

 In the previous part of this chapter, Jordan and Hong Kong’s trade facilitation statuses were reviewed. At the same time, their similarities in terms of the high level of importance that trade plays in both regions as a source as a national revenue due to the absence of natural resources and their scales of population should be noted. On the other hand, Hong Kong’s high level of dedication to implementing advanced trade facilitation measures has attracted foreign trade including a large portion of re-exports, resulting in it succeeding in pulling in far more revenue than Jordan.

**OECD Trade Facilitation Indicators**

 To get a detailed idea of Jordan and Hong Kong’s trade facilitation efforts, OECD Trade Facilitation Indicators and its “Compare Your Country” tool are used for the comparative analysis. The indicators carry the advantages of easy accessibility and full compliance with the articles of the WTO TFA. Figures 3.1 and 3.2 on the next page were generated by OECD “Compare your country” tool for the easy comparison between Jordan and Hong Kong according to 2015 data.

**Figure 3.1: Jordan’s Trade Facilitation Performance**

**Figure 3.2: Hong Kong, China’s Trade Facilitation Performance**

Source**:** Compare your country. OECD Trade Facilitation Indicators.

Out of a maximum average of 2, Jordan’s average Trade Facilitation Performance score is 1.3 while Hong Kong’s is 1.8. The sharpest differences between the two’s performance are seen in the indicators of “Fees and Charges” and “Governance and Impartiality.” Jordan also earned relatively lower scores in “Information Availability,” “Appeal Procedures,” “Formalities” in Procedures, Automation, and Documents, and “External Border Agency Cooperation.” It is important to remember that the OECD found that the areas of “Formalities” (simplifying and harmonizing documents, automation, and streamlining border procedures), “Governance and Impartiality,” and “Information Availability” show the greatest benefit both in bilateral trade flows and in trade costs. Unfortunately, Jordan did not score well in any of these three indicators. The OECD also emphasized that “Involvement of Trade Community,” “Advance Rulings,” and “Fees and Charges” have a significant positive impact on trade flows, and Jordan scored higher than Hong Kong in one of these, “Involvement of the Trade Community.” It also scored higher than Hong Kong in “Internal Border Agency Cooperation” as well. “Advance Rulings” however cannot be compared as Hong Kong received no score for it.

**The World Bank Logistic Performance Index**

Another source for the comparative analysis is the “Logistic Performance Index” by the World Bank. The LPI reflects a broader definition of trade facilitation including “Infrastructure,” “Logistic Competence,” “Tracking and Tracing,” and “Timeliness.” In 2016, Jordan was ranked the 67th in Logistic Performance while Hong Kong was ranked 9th. Figure 3.3, created by “Country Score Card” tool on the LPI website, compares the scores of both regions in six dimensions of LPI.

**Figure 3.3: Scores Comparison of LPI between Jordan and Hong Kong**

Source: The Logistic Performance Index. The World Bank. Country Score Card.

The top three dimensions which Jordan and Hong Kong have the greatest differences are “Customs,” “Infrastructure,” and “Logistics Competence.” Deeper research into the results of the comparison further show that Jordan still needs to improve the efficiency of its clearance process by border control agencies including Customs, the quality of trade and transport-related infrastructure, and the competence and quality of logistics services. In addition, both Jordan and Hong Kong received their highest score in “Timeliness,” but the score of Hong Kong’s was much higher than that of Jordan.

**Doing Business, Trading Across Borders**

The next source used for the comparison of trade facilitation efforts in Jordan and Hong Kong is a “Trading Across Borders” from “Doing Business 2016.” This research measures the time and cost (excluding tariffs) associated with the three procedures of “Documentary Compliance,” “Border Compliance,” and “Domestic Transport” as well as specifies the required documents for export and import in each economy. All the data is essential to reaching a clear consensus as to the status of trade facilitation in the two regions. In the “Trading Across Borders,” Jordan ranked the 50th when Hong Kong’s ranking was 47th. Table 3.1 and Table 3.2 show the results for indicators of the “Trading Across Borders.”

**Table 3.1: Comparison of Jordan’s and Hong Kong’s Export and Import Times and Costs for “Trading Across Borders”**

|  |  |  |
| --- | --- | --- |
|   | Jordan | Hong Kong |
| Time to export: Border compliance (hours) | **29** | **19** |
| Cost to export: Border compliance (USD) | **131** | **282** |
| Time to export: Documentary compliance (hours) | **0** | **1** |
| Cost to export: Documentary compliance (USD) | **25** | **52** |
| Time to import: Border compliance (hours) | **79** | **19** |
| Cost to import: Border compliance (USD) | **181** | **266** |
| Time to import: Documentary compliance (hours) | **55** | **1** |
| Cost to import: Documentary compliance (USD) | **30** | **130** |

**Table 3.2: The Required Documents for Export and Import in Jordan and Hong Kong**

|  |  |
| --- | --- |
| Export documents | Import documents |
| Jordan | **Hong Kong** | **Jordan** | **Hong Kong** |
| Certificate of origin | Certificate of origin | Certificate of origin | Certificate of origin |
| Commercial invoice | Commercial invoice | Commercial invoice | Commercial invoice |
| Customs Export Declaration | Customs Export Declaration | Customs Import Declaration | Customs Import Declaration |
|  |  | Delivery order |  |
| EUR 1 – Certificate of origin |
| Importer number |
| Packing list |

Source: Doing Business database. World Bank Group (2016).

Table 3.1 clearly indicates that the costs to export and import in regards to border and document compliance are actually less in Jordan than in Hong Kong. Jordan also takes less time than Hong Kong when comparing the time to export for document compliance. On the other hand, Hong Kong processes border-crossing activity in less time than Jordan, taking only one hour for documentary compliance of both exporting and importing, while Jordan needs 55 hours for the same procedure for import. As Table 3.2 indicates, Jordan requires more documents for import than Hong Kong, clearly pinpointing to an area where great trade facilitation improvements can be made. Reducing the number of required documents reduces both time and cost thus encouraging trade.

**3.3 Priorities of the Comparative Analysis**

 In order for policy makers to make an informed decision in regards to a particular measure, it is important to estimate the time and monetary budget that it necessitates. Among the different trade facilitation measures, Jordan should start working on measure that has a cost-effective advantage. From the study of OECD Trade Facilitation Indicators, Jordan received lower scores on most of indicators than Hong Kong. UNCTAD (2013) analyzed each individual trade facilitation measure’s estimated time and cost and its percentage of requests for technical assistance and capacity building (TACB). Table 3.3 displays this information for each trade facilitation measure named in the different terminology but same as the OECD indicator on which Jordan received lower scores than Hong Kong.

**Table 3.3: Average Estimated Time and Cost and Percentage of Requesting TACB of Prioritized Trade Facilitation Measures in Jordan**

|  |  |  |  |
| --- | --- | --- | --- |
| **Trade Facilitation Measures** | **Average Estimated Time** | **Average Estimated Cost** | **% of requesting TACB** |
| **1. Publication** | 3 years | $785,000 | 50% |
| **2. Information on Internet** | 3 years | $382,000 | 60% |
| **14. Disciplines on fees/charges** | 3 years | $235,000 | 50% |
| **24. Border agencycoop** | 4 years | $665,000 | 60% |
| **33. Uniform form doc** | 2 years | $ 24,000 |  0% |

Source: UNCTAD, The New Frontier of Competitiveness in Developing Countries: Implementing Trade Facilitation (2013).

From the data on Table 3.3, it is found that Jordan can initiate to work on “Uniform Forms and Documentation Requirements” because this measure takes less time and cost as well as does not require any technical assistance and capacity building. In addition, a number of developing countries give this measure the highest priority (UNCTAD, 2013, p. 26).

* 1. **Conclusions and Recommendations**

For decades, Jordan’s government has maintained an open market economic policy. Its trade industry can effectively utilize Jordan’s geo-political advantage of being in the heart of the Middle East. As such, trade facilitation measures will be of great benefit to Jordan because they normally result in increased trade volume and economy of scale.

In the assessment part of the study, the definitions and the terminologies of trade facilitation were clarified by researching the trade facilitation measures of various international organizations. It was found that each international organization used to work on diverse scopes of trade facilitation before the WTO reached the TFA.

A comparative analysis between Jordan and Hong Kong explained the manner that modern trade facilitation measures have contributed to Hong Kong’s economic success and to its reputation as being the world’s best open market. It was found that Jordan needs to work on the OECD Trade Facilitation Indicators of “Fees and Charges,” “Governance and Impartiality,” “Information Availability,” “Appeal Procedures,” “Formalities” of Procedures, Automation, and Documents, and “External Border Agency Cooperation.” Also, comparisons in terms of the LPI show that “Customs,” “Infrastructure,” and “Logistics Competence” need to be improved in Jordan.

In order for Jordan to maximize the benefits it reaps from trade facilitation efforts, it was found that Jordan should prioritize by investing in the measure with the greatest economic impact. An effective place to start would be by working on “Uniform Forms and Documentation Requirements” because this measure takes neither much time nor much cost nor does it require any technical assistance or capacity building from outside the country.

Using Hong Kong’s dedication to immediate implementation of all provisions of the WTO TFA as a standard, Jordan needs to work on the articles in Section I which it has yet to implement. As a first step towards this goal, it is recommended that Jordan estimates the time, cost and technical assistance necessary for expediting each excluded article of the WTO TFA. Policy makers should then choose which international organizations to cooperate with in accordance to each organization’s characteristics and scopes in terms of trade facilitation. Jordan is encouraged to network with these organizations, including the WTO, and to actively request assistance for provision that Jordan requires supports with.

It is important to understand the manner in which Hong Kong has maintained the consistency of free market policy in its economy. The country’s goal of free trade influences all entities related to Customs, transportation, logistics, and infrastructure whereas Jordan has consistently received lower scores on the LPI in these areas. As the case of Hong Kong clearly illustrates, governmental willingness is the most influential factor in expediting each trade facilitation provision. Jordan needs to bridge the gap between policy and actual practice in all governmental organizations in terms of trade facilitation.

To maximize the benefits of implementing trade facilitation, political stability is necessary in the region. Jordan worked with traders from and in Iraq and Syria before those neighboring countries fell into the political crises that they suffer from today. If the region can be stabilized in the near future, it is expected that the trading business will recover and will expand more into Jordan. By improving its implementation of trade facilitation measures and increasing trade capacity, Jordan can prepare for the trade prosperity which will follow.

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