

ITC – AITIC Hong Kong Business-Government Forum

*Regal Hong Kong Hotel
88 Yee Wo Street, Causeway Bay*

Sunday 11 December 2005

16:30 Trade Facilitation: Opportunities for Business

“How to make trade operations faster and simpler? How to modernize and enhance competitiveness of trade operators? Significance of the multilateral negotiations on Trade Facilitation for global trade. How to advocate developing and transition economies’ business concerns on trade facilitation in the negotiations? Special and differential treatment, technical assistance and capacity building.

Presenter: Andrew Stoler, Trade Facilitation Alliance

NOTES FOR PRESENTATION

Importance of Trade Facilitation for Business

What is the Problem we’re trying to Fix?

- Each year over \$9 trillion in goods and services crosses borders
- Many impediments still exist despite reductions in tariffs and other traditional barriers
- Transportation and transaction costs frequently exceed tariffs
- Documentation and record-keeping costs exceed the benefits of access to preferential tariff reductions
- Many countries do not have the capacity to modernize to respond to these new challenges
- Lack of a rules framework for modernization (existing GATT rules in V, VIII and X are often “aspirational”).

Real Money for Real People

- Release times vary significantly from one country to another around the world: Mombasa – 14 days compared to Singapore where clearance is in effect before arrival of the goods.
- Every day in customs control adds to costs – perhaps as much as 1% ad val per day.
- Governments too lose money through inefficiency, graft and infrastructure requirements associated with slow release times.
- Fixing the trade facilitation problems will be a win-win situation – particularly in developing countries.

APEC Statistics

- Asia-Pacific Economic Cooperation (APEC) has been a leader in trade facilitation for many years because of recognized importance of issue.
- APEC = 60% world GDP and about 47% of world trade
- 2002 World Bank Study looked at trade facilitation measures such as port logistics, standards harmonization, administrative transparency and professionalism and e-business in the APEC region. It concluded that raising performance across the region to halfway up to the level of the APEC average could result in a 10 percent increase in intra-APEC exports – worth \$280 billion!
- 2001, APEC leaders in Shanghai set the goal of reducing business transaction costs by an average of 5 percent by 2006. Projected benefits of hitting the target = \$154 billion in GDP growth in APEC.

ERT Survey

- European Round Table (ERT) survey of members on extent to which trade facilitation issues are important hinderance to doing business (November 2005)
- Not just an issue for developing or transition economies.
- Information technologies could help rationalize and speed up the processing of imports and exports in every one of the countries covered by the survey.
- 100% of responses confirmed that "one-Stop-shop" arrangements for administration of border procedures and regulations would improve current situation importantly.
- In over 65% of the responses, companies reported that they would look more favourably at new investments or additional business activity in markets concerned if trade facilitation was substantially improved. For developing countries the figure is almost 80%.
- In 20% of the responses, firms reported having foregone or abandoned investment opportunities or local business expansion because of trade facilitation shortcomings in the market concerned. For developing countries 22.5% / for transition economies 43%.
- In 60% of cases. Companies reported being aware of informal, as well as formal, fee structures at the border.
- Broad concern reported on the extent of prior consultation on proposed new trade measures, the availability of an independent official review to consider complaints about administrative actions, the burden of paperwork and the coordination of border formalities amongst government bodies.

Background to the WTO Negotiations

Singapore Ministerial - Origins

APEC Work on Trade Facilitation

- APEC trade facilitation principles and a Trade Facilitation Action Plan (TFAP) to guide member economies toward the 5 percent target.
- TF Principles – A Comprehensive Framework:
- *Transparency, Communications, Consultations and Cooperation*: traders become an integral part of developing streamlined rules; reduced corruption; trade based on model of trust and partnership.
- *Simplification, Practicability and Efficiency*: transparent and consultative process to produce new rules; simplified transaction requirements; reduced compliance costs for SMEs.
- *Non-discrimination, consistency, predictability and due process*: business decisions made on market principles not administrative fiat; consistency and predictability have "reputation" impacts; due process adds greater certainty to trade transactions.
- *Harmonization, standardization & recognition*: reduces product development, marketing, inventory and placement costs of new products since standards are harmonized and recognized; reduces time delays related to multiple product tests; reduces burden on regulatory authorities with reduced need for re-testing.
- *Modernization and use of new technologies*: paperless trading speeds clearance times; simplified electronic documentation reduces authorities' time; enhanced security with high-tech security features like e-signatures and vehicle scanning systems.

2004 Framework Agreement

- Separation of trade facilitation from other Singapore issues allowed negotiations to go forward on basis of 2004 framework agreement text.
- 11 meetings of the NG
- 60 written submissions from members sponsored by more than 100 delegations
- Good progress toward developing a set of multilateral commitments on all elements of the mandate.

Trade Facilitation Alliance

Impetus for creation of TFA in 2004

- Established by group of businesses in June 2004 as a non-profit group HQ'd in Geneva for the purpose of promoting work on trade facilitation in WTO and other forums.
- Original goal to promote the start of negotiations.
- Now works to build support for a good result in the negotiations.

TFA Membership

- Developed and developing country companies, industry associations and commercial organizations.
- From developed countries: express delivery companies, pharmaceuticals, electronics and technology.
- From developing countries, export associations, individual companies, chambers of commerce.
- Graduated membership rates, with attractive arrangements for developing country members.

TFA Activities / Services

- Analysis of negotiating proposals and submissions.
- Updates on developments in Geneva
- Sponsorship and/or participant in TF-related conferences, seminars and workshops: Buenos Aires, Sao Paulo, New Delhi, Manila and Kuala Lumpur.
- Organizer of KL APEC workshop in March 2005
- Facilitator of Business meetings with Negotiators in June 04 and June 05 and joint meeting with the ICC in November 2005.
- Agreed TFA position paper on proposals related to an eventual Trade Facilitation Agreement at the WTO.

TFA Position Paper for the Doha Round

- General Expectations Regarding the Outcome: (a) rules-based agreement; (b) comprehensive and coherent treatment of trade facilitation relating to GATT Arts V, VIII and X; and (c) recognition of the development aspect – acknowledging that developing countries capacities to implement will be dependent upon successful capacity-building initiatives.
- Specific Trade Facilitation Measures: Gratified to see that proposals made in all areas where TFA members have said results in the negotiations are important.
- *Internet Publication of Trade Regulations*
- *Prior Notice*: publication in advance of proposed new rules with opportunity to comment.
- *Enquiry Points*.
- *Advance rulings*. Tariff classifications, applicable rates of duty, duty referral, customs valuation and origin.
- *Standard formalities and documentation requirements*.
- *Risk-based management*
- *Measurement of trade facilitation*. Monitoring of performance important and an approach should be adopted to facilitate release time measurement and improvement.
- *Release of goods*. Should be separated from accounting process, using as needed bonds or other surety requirements.
- *Express shipments*. Need for separate expedited procedures for express shipments, presentation of documentation ahead of arrival of shipment, use of a single manifest for all goods in a shipment, de minimis shipment procedures, etc.
- *Fees and charges not to exceed cost of services rendered*.

- *Right of appeal to independent authority.*
- *Cooperation between Customs and other Authorities.*
- *Goods in transit.* Rules published in advance and administered in non-discriminatory way.
- *Other measures advocated by the TFA:*
- *Automation of customs procedures.*
- *Single window.*
- *Simplification of border procedures and formalities.*

Where the Negotiations Stand & Prospects for 2006

- Annex E of draft Min Dec
- Satisfaction over a binding agreement. Para 4 talks of developing a set of multilateral commitments on all elements of the mandate.
- Agreement on Interpretation and Application of GATT Articles V, VIII and X. Seems outlines are clear from outline in Annex E.
- Hong Kong Ministerial Declaration recognizes need to move into focused drafting mode early after the Sixth Ministerial Conference.
- Need text-based negotiations on all aspects of the mandate.
- Prospects for 2006. Very good if the rest of the Doha Round doesn't rain on the parade for trade facilitation.

Final Comments

- Much made of the costs to countries of implementation of trade facilitation reforms. Not all expenses without realizing new income.
- Reforms in Peru from 1990-96 reportedly increased the Customs contribution to national fiscal revenue from 25% to 35%.
- In Chinese Taipei, improved risk management enabled Customs to target fraud and increase duty collection by \$3.5 million.
- In Tunisia, implementing automated systems reduced customs clearance times to fifteen minutes from 3 days and total clearance time to 3 days down from 8 days.
- In Mauritius, customs clearance time was reduced from 4 hours to 15 minutes by adopting best practices.