

Trade Facilitation: A Development Perspective in the Asia Pacific Region ^{*}

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Foreword

Over the last few years, the APEC Committee on Trade and Investment (CTI) has been at the forefront of international work on trade facilitation. Last year, the APEC Ministers Responsible for Trade endorsed a set of APEC Trade Facilitation Principles for implementation with an ambitious target of cutting transaction costs by 5% over the next five years.

This year, further progress has been achieved with the CTI's subfora making significant progress on implementing the Trade Facilitation Principles and adopting a Trade Facilitation Action Plan and a menu of concrete trade facilitation actions and measures to cut business costs in the areas of customs, standards or business mobility.

In addition, I am very happy that the CTI is now sponsoring a ground-breaking work on the economic importance of trade facilitation. This Study has some very encouraging results on the potential impact of our work. This will help the CTI to better focus our work next year as we implement the Trade Facilitation Action Plan menu of trade facilitation concrete actions and measures.

This Study is the result of over two years of fruitful collaboration between the APEC Committee on Trade and Investment and the World Bank. The CTI and the Bank first worked together, along with the Asia-Pacific Foundation of Canada, in organizing a workshop entitled "Trade Facilitation in APEC: New Directions and the Development Challenge" which was coordinated by the Government of Canada and took place in Singapore in September 2000. This highly-successful workshop issued a number of key recommendations for APEC's work on trade facilitation, including a call for APEC to invest more in trade facilitation research and capacity building. It also helped to develop a deeper understanding of the synergies of trade facilitation, beyond transport costs to include e-business usage, standards harmonization, business mobility, and other factors.

The Singapore workshop created momentum within the World Bank and the Government of Canada to undertake projects aimed at better informing APEC's work on trade facilitation. As a result, Canada developed and oversaw a CTI project that led to the production of this report, which has been prepared by the World Bank.

This ground-breaking Study uses an entirely new methodology developed by the Bank and its team to demonstrate the importance of trade facilitation. This Study should be seen as an important step in the application of a powerful new methodology. The Study here builds on work by the Bank in this area and provides significant insights into how large the economic benefits of trade facilitation are, and on where they originate.

I would like to thank the World Bank and its team, and in particular the Project Director, Mr. John Wilson, for his willingness to undertake this project and for the excellent product he and his team have delivered. This is an excellent example of the type of partnerships the Committee on Trade and Investment needs to develop to further its objectives in trade facilitation and other areas.



Ms NG Kim Neo
Chair
APEC Committee on Trade and Investment

Executive Summary

Policy tools and reform measures to accelerate export growth and economic development through trade facilitation are at the forefront of debate in 2002. The expansion in world trade, reductions in tariff rates of protection, and application of information and telecommunications technology to speed transactions, among other factors, have combined to raise the importance of reducing barriers to trade. This is particularly true in regard to developing economies seeking ways to leverage trade for economic growth. The Asia-Pacific Economic Cooperation (APEC) forum has embodied these notions into its objective, tabled at the Shanghai Ministerial of October 2001, of a five percent reduction in transactions costs of trade by 2006.

Quantification of the benefits of trade facilitation can help inform the policymaking process in APEC member economies and the policy emphasis within the institution to achieve the Shanghai target as well as the ultimate Bogor goals set forth by APEC. To further these objectives this study analyzes the benefits associated with improvements in trade facilitation by the 21 member economies of APEC. The indicators of trade facilitation deployed in our analysis fit directly within the APEC framework for trade facilitation (customs, standards and conformance, business mobility, and electronic commerce). This level of disaggregation in our analysis can inform policy decision-making on pilot projects and capacity building in the region with case studies of successful trade facilitation efforts by members offering possible paths to follow. Further, the indicators of trade facilitation used in this report can inform policymakers of where their economy stands relative to their APEC peers in regard to each of the indicators.

Trade facilitation has been an important part of the Asia-Pacific Economic Cooperation (APEC) agenda since the beginning of the regional forum in 1989. All APEC leaders' statements have emphasized the importance of trade facilitation and the work program has been extended to new areas. Accordingly, a review and consideration of APEC's past and current work program in trade facilitation is provided as background and to complement the quantitative study included in this analysis.

Finally, as it has before, APEC can play an important role in the discussions on trade facilitation within the World Trade Organization (WTO), which are outlined in this study. Decisions on the modalities and scope for negotiations at the WTO on facilitation measures will be made by the Fifth Ministerial of the WTO in 2003 in Mexico. Although these issues are an important part of trade policy dialogue, only limited empirical evidence is available on the relative importance of various trade facilitation efforts on exports and imports. One important area where APEC could facilitate dialogue is on priorities for development assistance among members.

In summary, in order for the APEC work program to succeed and the WTO discussions to progress, both with the objective of increasing economic well-being through trade, a sound analytical basis for policy decision-making is needed. Directions and decisions can be aided by empirical data and quantification methodology, such as provided in this study.

Trade Facilitation in the APEC process

Trade facilitation is a central focus of APEC and key manifestations of this focus are the Individual Action Plans (IAP) and the Collective Action Plans (CAP), and the process that links them. The empirical research in this study can help prioritize the direction for IAPs and CAPs. CAP policy initiatives are critical in that they promote the essential conversation and coordination within APEC that takes place within its committees, sub-committees, and working groups. The success of CAP initiatives depends on the nature of the CAP goal. Clear CAP goals leads to clear project outputs and outcomes, and, when broached with a firm timeframe, can result in specific technical cooperation activity undertaken through APEC. One such culmination of effort, of particular relevance to the empirical work in this study, is the development of the *APEC Guide on Alignment of Member Economies' Standards with International Standards* set as a collective action after Osaka and easily completed in 1997.

APEC's collective action plans may also involve, however, downside risks. For example, for an individual member simply undertaking a project because it meets a CAP commitment does not necessarily mean that needed capacity is being built or that the project should be a priority. The analysis developed in the empirical model here may help individual APEC members prioritize their efforts within the APEC IAP and CAP processes. In the context of trade facilitation efforts -- in particular the Shanghai goal of a 5 percent reduction in transactions costs -- having specific CAP goals that lead to specific projects (such as for technical cooperation) and then relating these to reductions in transaction costs for businesses in intra-APEC trade can provide a framework for future capacity building work.

Measuring the Impact of Trade Facilitation

This study builds on work by the World Bank which has developed a new approach to quantifying the economic impact of trade facilitation (Wilson, Mann, Otsuki, 2002).¹ In contrast to the more common empirical approach (which uses international transportation costs as a benchmark for trade facilitation) the measures employed here are more specific to the type of trade facilitation effort and match more closely the complexity of the processes and transactions that affect trade. The still fit, however, within a broad definition of trade facilitation -- customs, standards and conformance, business mobility, and electronic commerce. In order to better inform individual members and to enable targeted empirical scenarios on trade facilitation, indicators employed in this study are APEC-member-economy-specific. Seven indicators of trade facilitation measure seven different categories of trade facilitation effort and are generated from survey and economic evidence, again building on the Bank's analysis and database referenced above. The indicators are: (1) port logistics, (2) customs procedures, (3) own regulatory environment, (4) standards harmonization, (5) business mobility, (6) e-business activity, and (7) administrative transparency and professionalism.

- Two indicators which draw upon APEC data and are tailored to the APEC rubric are offered for customs: 'port logistics' and 'customs procedures.' 'Port logistics' focuses on quality and efficiency of infrastructure. 'Custom's procedures' captures the state of the APEC member's process of Individual Action Plans (IAP) and Collective Action Plans (CAP) in the customs area.

¹ The methodology and database are included in "Trade Facilitation and Economic Development: Measuring the Impact," John S. Wilson, Catherine Mann, Tsunehiro Otsuki, 2002, The World Bank (mimeo).

- Two indicators are offered under the APEC rubric of standards and conformance: ‘own regulatory environment’ and ‘standards harmonization.’ “Own regulatory environment’ measures the tightness of unilateral regulations and enforcement of one’s own regulations. ‘Standards harmonization’ measures the extent to which an economy has met APEC common standards through the IAP and CAP process.
- The single indicator business mobility’ matches the APEC rubric and suggests how easy or hard it is for foreign labor to move into an APEC member economy to work.
- Electronic commerce and APEC’s efforts to enhance e-commerce usage among members, including through e-APEC and Paperless Trading, is proxied by ‘e-business usage,’ which measures the extent to which firms in the economy are using the Internet for electronic commerce.
- Finally, an indicator for ‘administrative transparency and professionalism’ reflects the fact that this underpins all the other trade facilitation efforts.

The Model and Regression Results

The seven indicators referenced above along with other factors relevant for trade flows, including income, distance, language affinities, and regional arrangements, are used in an empirical model of bilateral trade flows among APEC members. The model distinguishes between trade in manufactured goods, and trade in agriculture products and raw materials.² A brief summary of the results is presented here with detailed analysis in the main text.

- Under the APEC rubric of customs, ‘port logistics’ has by far the highest elasticity. This suggests that the greatest gains to intra-APEC trade would come from improvements in this area. Aligning members’ ‘customs procedures’ within the IAP/CAP processes somewhat surprisingly is negatively associated with intra-APEC trade. This variable accounts for both consistency between the IAP and CAP (a member’s intentions) as well as actual implementation of those goals, so a difference between intention and achievement may affect this measure. It should be noted that multicollinearity among various variables in the regressions may also affect this result.³
- Under the APEC rubric of standards and conformance, unilateral tightening of regulations (‘own regulatory environment’) has a significant and deleterious effect on trade in the APEC region, particularly for manufactured goods trade. On the other hand, harmonization to APEC standards has a significant and positive effect on trade in the APEC region, particularly for manufactured goods trade. This suggests a key role for both the intention to meet APEC CAP as well as the implementation thereof.
- Enhancing business mobility has an unexpected negative sign, perhaps pointing to poor measurement.

² Details on the gravity model deployed here are contained in “Trade Facilitation and Economic Development: Measuring the Impact,” John S. Wilson, Catherine Mann, Tsunehiro Otsuki, World Bank 2002 (mimeo).

³ For an extended discussion of this see Wilson, Mann, Otsuki (2002).

- E-business usage has a positive and significant effect on intra-APEC trade in both manufactures and agriculture/raw materials. Whereas the coefficients are not large, the fact that the variable is robust should support efforts within APEC to enhance e-commerce usage through the e-APEC Strategy and Paperless Trading initiatives.
- Administrative transparency and professionalism has a positive and significant effect on intra-APEC manufactures trade, although it has a surprising negative coefficient on agriculture/raw materials trade. Multicollinearity between ‘standards harmonization’ and ‘administrative transparency and professionalism’ may be a source of problem in the regressions. However, the robustness of this coefficient in the context of manufactured goods supports the importance of transparency and professionalism.

Analysis to Inform Pilot Projects in Capacity Building

How can the results from the model estimation inform policymakers and donors on pilot projects and capacity building? First, we explore a “practical” scenario, considering improvements in four areas of trade facilitation: ‘port logistics,’ ‘standards harmonization,’ ‘e-business usage,’ and ‘administrative transparency and professionalism.’ Then, we present the results of these scenarios from several points of view.

The ‘practical’ scenario for targeting pilot projects and capacity building calculates the increase in intra-APEC trade that could be associated with bringing those APEC members with trade facilitation indicators (at least one of the four noted above) below the APEC average halfway up to the APEC average. This scenario is ‘practical’ in that it recognizes that some APEC members are world leaders in the targeted areas of trade facilitation, and further improvements are not particularly needed, nor should they be the focus of policy maker effort or donor attention. Second, by bringing the below-average APEC members only half-way up to the APEC average, the scenarios implicitly acknowledge that improvements take time.

The results suggest that for APEC as a whole, bringing the below-average APEC members half-way to the APEC average in all four areas of trade facilitation being considered here would increase intra-APEC trade by about \$280 billion dollars, about half of that gain coming from the improvement in ‘port logistics’ in manufactured goods trade. This represents an increase of about 10 percent in total intra-APEC trade.

Because the model is based on disaggregated bilateral trade flows, information useful to policymakers and donors can be revealed by considering the results from several different perspectives.

- For APEC as an institution, the scenario results suggest a direction for consensus improvements in trade facilitation policies and capacity building (through IAP and CAP, EcoTech, TILF and the like) that would reap the greatest rewards as measured by intra-APEC trade.
- For individual APEC members, the scenarios help inform policymakers in the individual APEC economies of which trade facilitation improvements, as pursued by other APEC members, could yield the largest increase in their intra-APEC exports.

- For those APEC members some of whose trade facilitation indicators are below the APEC average, the scenarios help inform policymakers and the donor communities on which areas of trade facilitation in those APEC member economies might be targets for technical assistance or other attention. When an APEC member's trade facilitation measure is 'below-APEC-average' an improvement will increase imports. This increase in imports can be thought of as a measure of costs being borne by consumers and producers in that APEC member from a below-average indicator.

What do our results reveal both from the overall perspective and from the perspective of individual APEC members? The large increase in intra-APEC trade coming from improved 'port logistics' is partly because of the high elasticity of trade with respect to 'port logistics' (3.8 for agriculture and 5.2 for manufactured goods) and partly because economies such as Mexico and particularly China are very large intra-APEC traders and, based on the 'port logistics' indicator, have much room for improvement in this area. In terms of the distribution of potential increase in intra-APEC exports, large APEC exporters such as the US, Japan, and Korea could see the greatest increase in dollar terms (\$46 billion, \$38 billion, and \$11 billion respectively). But many APEC economies (Russia, Hong Kong, China; Chile, Chinese Taipei) could enjoy large double-digit increase in exports to the APEC region (44%, 34%, 22%, 18% respectively).

To consider how to target pilot projects and capacity building for individual APEC members with one or more 'below-APEC-average' indicators, the increase in imports suggested by alternative scenarios are considered. For example, for Peru, whose 'port logistics' indicator is near the lowest among APEC members, an improvement halfway up to the APEC average could increase Peru's imports by about \$2.7 billion (manufactured goods plus agriculture/raw materials). An improvement in Peru's 'standards harmonization' indicator could increase imports by some \$1.5 billion. Based on these results, Peru might focus on port logistics, but the gains to improved 'standards harmonization' are potentially quite real and should not be ignored. Similarly for Indonesia, an efficiency gain of some \$10.8 billion from improved 'port logistics' points to a possible focus of policy attention and capacity building here, but improved 'transparency and professionalism' could count for about \$3.5 billion and improved 'standards harmonization' could yield increased imports of \$2.3 billion, suggesting that these areas could be ripe for projects and capacity building as well.

Conclusions

The study conducted by the Bank's team provides an overview of trade facilitation efforts in APEC and looks forward to approaches to achieve the Shanghai objective of a five percent reduction in transactions costs of trade. The empirical analysis supports more detailed examination of the role of trade facilitation in individual APEC member economies, as well as for the group as a whole. It can inform discussions on trade facilitation in the Doha development agenda of the WTO, as well as for consultation among specialized multilateral organization and regional groupings about how to achieve synergies among their various trade facilitation efforts. Reform efforts, capacity building, donor assistance, and private sector partnerships can be informed by these results and perhaps better targeted to increase the likelihood that economic assistance and policy reform in the trade arena generate positive improvements in economic well-being.

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1. Introduction

Policy tools and reform measures to accelerate trade expansion and economic development through trade facilitation are at the forefront of debate in 2002. The growth in world trade, fall in tariff rates of protection, and availability of advanced technology to speed commercial transactions, among other factors, have combined to raise the importance of streamlining trade facilitation procedures. Within the Asia-Pacific region, the Asia-Pacific Economic Cooperation (APEC) forum has highlighted and quantified this objective in the Shanghai Accord, which has as an objective a five percent reduction in transactions costs of trade by 2006. More broadly, in the context of the Doha Development Agenda and the World Trade Organization (WTO), decisions on the modalities and scope for negotiations on trade facilitation measures will be made by the Fifth Ministerial of the WTO in 2003. Finding the most productive steps to accelerate progress in trade facilitation, along with ways to support developing economies as they seek to improve ports and customs, increase regulatory transparency and harmonization, leverage information technology and electronic commerce transactions, and ease mobility of private sector business people is critical. This study addresses these areas, as trade facilitation today is more than simply reducing transport costs for goods and services crossing national borders.

We examine trade facilitation in the context of trade in the Asia Pacific region. In specific, the study evaluates the impact of various trade facilitation measures on exports and imports among the 21 member economies of APEC. In order to advance the research methodology and understanding of the impact of trade facilitation on trade flows, we develop new indicators of different types of trade facilitation measure in Section 2. This represents an advance over the more common approach that measures trade facilitation primarily as a change in transportation costs or productivity of the transport sector.

In addition, our approach, using a model of bilateral trade flows, enables analysis of the benefits to individual APEC member economies of improvements in trade facilitation. As detailed in Section 4, our approach is unique in that we acknowledge that some APEC members have further to go to reach international best practice. To contribute to better understanding of what is meant by international best practice, our study includes seven measures of trade facilitation and the impact of these on an individual economy's trade. These results yield a level of detail that can inform decision-making on policy reforms and capacity building projects by governments, donors, and the private sector.

A set of possible pilot projects in trade facilitation are informed by our results from the empirical analysis and from case studies of projects already completed (Section 3). These are illustrative of work that APEC and other organizations might consider for some of the least developed member economies in the region.

In addition to developing a set of indicators of trade facilitation and an approach to quantifying the impact of trade facilitation measures on intra-APEC imports and exports, the study provides an overview of APEC's work program in the facilitation areas examined. An assessment is provided of APEC's past and current portfolio of technical assistance projects Section 5. Suggestions are offered on ways to strengthen APEC's impact on advancing development goals in trade facilitation.

Finally, a review of the work of other organizations under the umbrella of trade facilitation, including the directions potentially to be taken in the context of the WTO and Doha, is presented, in part to highlight the need for more direct coordination in technical assistance programs which go beyond traditional definitions of trade facilitation (Section 6).

2. Quantifying the Impact of Trade Facilitation⁴

2.1 Defining Trade Facilitation and its Role in Economic Growth

There is no standard definition of trade facilitation in public policy discourse. In a narrow sense, trade facilitation efforts could simply address the logistics of moving goods through ports or more efficiently moving documentation associated with cross-border trade. In recent years, the definition has often been broadened to include the environment in which trade transactions take place. This includes transparency and professionalism of customs and regulatory environments, as well as harmonization of standards and conformance to international or regional regulations. The definitions of trade facilitation have broadened as analysts recognize that while cross-border trade is integral to development, improvements in cross-border trade facilitation often involve improvements in “domestic” policies and institutional structures. Finally, in light of the rapid integration of technology into trade facilitation, particularly through the dimension of networked information technology, the definition has come to embody a technological imperative well. It naturally follows, then, that capacity-building efforts can also be considered as part of the trade facilitation effort. The definitions reproduced in Table 2.1 come from various international groups and are juxtaposed to show this evolution in the definition of trade facilitation, where the evolution is highlighted using italics.

Table 2.1: The Evolving Definition of Trade Facilitation

WTO and UNCTAD:	“simplification and harmonization of international trade procedures, including activities, practices, and formalities involved in collecting, presenting, communicating, and processing data required for the movement of goods in international trade.” (WTO website, and UNCTAD, E-Commerce and Development Report 2001, p 180)
OECD:	“simplification and standardization of procedures and associated information flows required to move goods internationally from seller to buyer and to <i>pass payments</i> in the other direction” (OECD, TD/TC/WP(2001)21 attributed to John Raven)
UN/ECE:	“ <i>comprehensive and integrated approach</i> to reducing the complexity and cost of the trade transactions process, and ensuring that all these activities can take place in an efficient, <i>transparent, and predictable manner</i> , based on internationally accepted norms, standards, and best practices” (draft document 3/13/2002)
APEC:	“trade facilitation generally refers to the simplification, harmonization, <i>use of new technologies</i> and other measures to address procedural and administrative impediments to trade. (APEC Principles on Trade Facilitation 2002)
APEC:	“the use of technologies and techniques which will help members <i>to build up expertise</i> , reduce costs and lead to better movement of goods and services” (APEC Economic Committee 1999)

⁴ This section draws on Wilson, John S., Catherine Mann, Tsunehiro Otsuki. 2002. “Trade Facilitation and Economic Development: Measuring the Impact,” The World Bank (mimeo).

The relationship between trade facilitation, trade flows, income growth, and human development is a complex one. Economic theory generates a relatively simple chain of causality: Human development is enhanced through income growth, income growth is greater with more cross-border trade, and trade is increased through trade facilitation efforts. In general, past empirical work supports these relationships. The human development index is positively related to Gross Domestic Product (GDP) per capita. Economies with a growing income have a higher GDP per capita. The positive relationship between trade and growth has come under scrutiny recently. But, there is no evidence, that increased cross-border trade *reduces* income growth. Obviously, there are many points of policy-maker intervention between trade and human development, but it is the last (or first) link in the chain – how important are trade facilitation efforts for increased trade – that is the focus of this section.

2.2 Review of Past Attempts to Quantify Trade Facilitation and Trade

Given the fundamental relationship between trade, growth, and development, as well as the growing attention to trade facilitation in multilateral bodies, there have been a number of recent efforts to quantify the importance of trade facilitation on trade flows. Only limited progress has been made, however, primarily because of the dearth of empirical measures of trade facilitation. Messerlin and Zarrouk (1999), “Trade Facilitation: Technical Regulation and Customs Procedures,” September 1999 for the WTO/World Bank Conference on Developing Countries in a Millennium Round discuss trade facilitation as part of a negotiating agenda, thus linking trade facilitation and trade liberalization. These authors do not, however, quantify the relationship. Maskus, Otsuki, and Wilson (2001), “An Empirical Framework for Analyzing Technical Regulations and Trade,” in Maskus and Wilson, eds. *Quantifying the Impact of Technical Barriers to Trade* address some of the more important empirical methods and challenges in quantifying the gains of trade facilitation in the area of harmonized regulations.

The Asia Pacific Foundation of Canada, *Survey on Customs, Standards, and Business Mobility in the APEC Region* (1999), prepared for the APEC Business Advisory Council, outlines the relative importance of the three kinds of trade facilitation measures (customs, standards and regulatory conformance, and business mobility) for APEC as a whole. This report does not distinguish among the APEC members as to how each one fares with respect to these trade facilitation measures nor does it try to assess the impact on APEC trade of greater trade facilitation efforts.

Among recent quantitative reports, *Paperless Trading: Benefits to APEC* (2001) suggests that moving to electronic documentation for trade would yield a cost savings of some “1.5 to 15 percent of the landed cost of an imported item.” If a simple average of a 3 percent reduction in landed costs were applied to intra-APEC merchandise trade, the gross savings from electronic documentation could be US\$ 60 billion.⁵ UNCTAD’s *E-Commerce and Development Report 2001* considers trade facilitation in the broader context of creating an environment conducive to developing e-commerce usage and applications. There are large gains from this environment, and indeed, trade facilitation (defined broadly) would probably play a significant role in creating the e-commerce-friendly environment. Using computable general equilibrium analysis, Asian (not APEC) welfare could increase some US\$3.6 billion from a 1 percent improvement in the cost of (which in this model formulation

⁵ See *Paperless Trading: Benefits to APEC* (2001), page 18.

is equivalent to a 1 percent increase in the productivity of) wholesale and retail trade services and an additional US\$3.3 billion from a 1 percent improvement in the cost of (productivity of) maritime and air transport services.⁶

The Organization for Economic Cooperation and Development (OECD) summarizes other available studies, most of which are limited in their definition of trade facilitation (e.g. trade facilitation is proxied as a reduction in the cost of cross-border transactions), or use data that are quite old. See TD/TC/WP(2001)21/FINAL replicated below.

⁶ See UNCTAD, E-Commerce and Development Report 2001, table 8, page 33.

Table 2.2: Summary of some of the major estimates on trade transaction costs and trade facilitation benefits

Reproduced from OECD TD/TC/WP(2001)

Study	Scope	Estimates on costs	Estimate on benefits	note
US NCITD (1971)	direct costs: documentation costs required by government; finance & insurance; carrier; and forwarder/broker/or their contractual counterpart	average documentation costs are \$375.77 for exports and \$320.58 for imports. Total costs aggregate represent 7 and 1/2 % of the value of the total US export and import.	(none)	based on business survey
Ernst and Whinney (1988a,b) for Cecchini et al (1988)	(1) direct costs: customs compliance costs. (2) indirect costs: road haulers; and business foregone	customs compliance costs (7,500 million ECU), road haulers (415-830 million ECU), and business foregone (4,500-15,000 million ECU). Approximately around 1.5% of total intra-EC trade value for customs compliance; 1-3% for business foregone.	(none)	based on business survey: survey on lost business opportunities and road haulers had some methodological reservation
SWEPRO (1985)	direct costs: customs compliance costs	customs compliance costs are 4% of the value of import or export; i.e. 8% of the total value of goods traded	(none)	apparently certain figures were obtained from Swedish customs and businesses
EU COST 306 Final Report (1989)	direct costs: documentation costs	documentation costs are 3.5-7% of the value of goods traded; with errors becomes 10-15%	(none)	no information about the methodology
UNCTAD (1994b)	direct and indirect costs - transaction costs include: banking/insurance; customs; business information; transport; telecommunication	transaction costs are US\$400 billion (10% of the total world trade value), trade transaction costs are at 7-10% of the world trade value.	one-quarter of transaction costs (US\$100 billion) can be saved by "efficiency" by the year 2000, (i.e. one-quarter of US\$400 billion): approximately 2-3% of import value	Use NCITD (1971), EU COST 306 Final report (1989), SITPRO (1991) and some other.
Dee, Geisler and Watts (1996)	APEC trade liberalization programs including trade facilitation measures, TBT, competition policy, government procurement, and transparency	mentioning estimates of Cecchini (1988), UNCTAD (1994b) and Dee, Geisler and Watts (1996), but did not provide which one it took	5% of value of value of goods traded (trade facilitation measures only); 10% (if TBT, competition policy, government procurement, and transparency measures are taken into account)	apparently use a secondary reference
APEC (1997)	APEC trade liberalization programs including trade facilitation measures, TBT, competition policy, government procurement, and transparency	mentioning estimates of Cecchini (1988), UNCTAD (1994b) and Dee, Geisler and Watts (1996), but did not provide which one it took	While assuming that a consensus estimate on direct savings from trade facilitation is around 2-3% of total import value, use 1 and 2%	apparently use a secondary reference
Staples (1998), <i>et al</i>	direct costs: customs compliance costs	customs compliance costs are 7-10% of the value of international trade	(none)	apparently use a secondary reference

2.3 APEC Work on Quantifying Benefits of Trade Facilitation

The most recent and targeted effort to quantify the benefits of trade facilitation is that of APEC itself in Assessing APEC Trade Liberalization and Facilitation: 1999 Update, Economic Committee, September 1999. This report builds on a 1997 Economic Committee project The Impact of Trade Liberalization in APEC, referenced in the OECD summary table (Table 2.2 above). The 1997 and the 1999 projects both employ computable general equilibrium (CGE) analysis using versions of the GTAP model. The 1997 project focused on the Manila Action Plan Agenda and commitments under the Uruguay Round. These were considered as well in the 1999 project which focused on trade facilitation measures.

A 1999 Economic Committee report modeled the benefits of trade facilitation by treating an improvement in trade facilitation as a reduction in trade costs, which (in CGE models) can equivalently be considered as an improvement in the productivity of the international transportation sector. Based on studies referenced in the 1997 Report and a survey of Japanese manufacturing and trading companies undertaken in 1998, the 1999 Project “used 1 percent of import prices for the direct cost savings from trade facilitation for the industrial economies and the newly industrializing economies of Korea, Chinese Taipei and Singapore, and 2 percent [of import prices for the direct cost savings from trade facilitation] for the other developing economies.”⁷ The focus of the 1999 Report was an assessment of the benefits to trade of the Uruguay Round commitments compared with APEC trade facilitation commitments. The results from this modeling exercise for trade liberalization and trade facilitation are shown in Table 2.3, which reproduces material from the 1999 Report.

⁷ Assessing APEC Trade Liberalization and Facilitation: 1999 Update, Economic Committee, September 1999, page11

Table 2.3: Trade Effects of APEC Trade Liberalization and Facilitation

Reproduced identically Table 2-4
Assessing APEC Trade Liberalization and Facilitation: 1999 Update.
Economic Committee, September 1999

Estimated Change in Merchandise Export Volume in 2010
(Contribution to Changes, Percent)

Initiatives	APEC	World
Uruguay Round Commitments	7.9	5.3
APEC Commitments: Total	3.3	1.6
(Liberalization)	(2.0)	(1.0)
(Facilitation)	(1.3)	(0.6)
UR and APEC Commitments	10.7	6.6

Notes:

1. Base year for simulation: 1996.
2. The dynamic version of the model is used, assuming constant returns to scale and perfect competition and allows capital accumulation through the income-investment linkage.
3. "APEC: Total" covers individual action plans up to 1998, collective actions up to 1998, Osaka Initial Actions, and the Information Technology Agreement.
4. "UR and APEC" is the sum of the impacts from the UR commitments and "APEC: Total".

Considering the concept of trade facilitation (customs, standards and conformation, business mobility, and electronic commerce) advanced first in the workshop on "Trade Facilitation in the Asia Pacific: New Directions and the Development Challenge," co-sponsored by the World Bank and Asia Pacific Foundation of Canada in 2000 it is clear that the approach that focuses on transport costs, at best, considers only the first dimension.⁸ Nevertheless it is a start to the quantification exercise and provides benchmark analysis in one of the areas ripe for trade facilitation efforts.

2.4 Measuring the Benefits of Trade Facilitation

The research approach taken by this study builds on a new approach to measuring trade facilitation on-going at the World Bank. First, we examine a set of indicators of different types of trade facilitation measures in a database developed for World Bank research, rather than measuring trade facilitation simply as a change in import prices, international transportation costs, or productivity of the transport sector.⁹ Second, we use a gravity model of bilateral trade flows, developed by the World Bank, rather than the CGE approach, to model cross-border trade and into which we embed the indicators of trade facilitation so as to analyze the benefits of improvements in trade facilitation. Third, the scenarios we implement to determine the benefits of trade facilitation efforts do not assume that all economies improve trade facilitation by the same amount. Rather we tailor the simulation to acknowledge that some economies have further to go to reach best practices than others.

⁸ For additional information on this definition of trade facilitation see;
<http://www.worldbank.org/research/trade/conference/APEC/>

⁹ The datasets and indicators are discussed in detail in Wilson, Mann, Otsuki 2002.

An important advantage of our research approach is that we include a variety of indicators of trade facilitation. The set of indicators includes member-specific trade facilitation indicators for port logistics, customs procedures, own regulatory environment, standards harmonization within APEC, business mobility, administrative transparency and professionalism, and e-commerce use by business. Collectively these embrace the multiple approaches to trade facilitation reflected in modern international commerce. Our analysis also considers the importance of focus on best practices and achieving benchmarks tied to what is known from experiences in best practices in trade facilitation. Considered completely separately from any model estimation of their effect on trade, this set of indicators helps policymakers judge where their economy stands relative to their peers in regard to each of these measures. In the context of quantifying the benefits of trade facilitation efforts, this multiple-indicator approach and decomposing the impact of the various indicators on trade may enable more targeted decision-making by policymakers.

Second, the Bank's gravity model of trade deployed here is disaggregated into trade flows of agriculture and raw materials, and manufactured goods. (We would very much like to analyze trade flows in services, but data are not available.) We can analyze the effect of the various trade facilitation measures on APEC trade as a whole and as disaggregated into these two broad categories. This product disaggregation can help target policy since some APEC members are principally manufactured goods exporters, whereas others trade principally in agriculture/raw materials.

Third, the simulation approach offers several perspectives of the potential benefits of improvements in trade facilitation. It allows us to analyze the implications for intra-APEC trade as a whole. It allows us to examine an individual member's exports to other APEC members, and we can also use the results to proxy for the costs suffered by an individual APEC member when their own trade facilitation indicators are below best practice. This three-faced analysis of simulations can be a particularly valuable input to considering alternative pilot projects for individual APEC members.

In sum, using this set of indicators and modeling approach offers policymakers a stronger idea of which type of trade facilitation efforts might provide the largest gains in terms of increasing trade flows for them. Whereas it remains true that a comprehensive effort yields the greatest increase in trade, the examination of different kinds of trade facilitation and of disaggregated trade flows could be useful for targeting of policy effort and launching of pilot projects.

2.4a The Gravity Model

The gravity model of international trade flows is one of the best known approaches to modeling bilateral trade flows. Initially more of an empirical success than having a theoretical pedigree, it now is enjoying a resurgence of interest given its natural kinship with current interests in the relationship between geography and trade. The gravity model was first developed by Tinbergen (1962) and Pöyhönen (1963) to explain bilateral trade flows by trading partners' GNP and geographical distance between economies. Recent theoretical and empirical work supporting this modeling approach includes Evenett and Keller (1998), "On Theories Explaining the Success of the Gravity Equation," NBER WP 6529; Feenstra, Markusen, and Rose (1998) "Understanding the Home Market Effect and the Gravity Equation: The Role of Differentiating

Goods,” NBER WP 6804; and Frankel (1997) “The Gravity Model of Bilateral Trade,” chapter 4 in Regional Trading Blocs In the World Economic System, Institute for International Economics. Other factors beside GDP and distance are relevant for bilateral trade, including for example, population, GDP per capita (to account for intra-industry trade effects that may be associated with economies of similar incomes and varied tastes), regional trade arrangements, and language/ethnic similarities.

Among the recent applications of a gravity model in empirical analysis of trade facilitation, Moenius’ (2000) model provides a framework for estimating the effect of product standards on trade flows. His model includes measures of standards in a gravity model. He additionally employs a fixed-effects estimation to control for unobserved economy (and industry) specific characteristics. Otsuki et al. (2001) apply the fixed-effects estimation to the case of food safety standards. Maskus and Wilson (2001) provide a comprehensive overview of the analytical framework for analysis of the impact of technical regulations on trade.

The Bank’s gravity model employed specifically for this project focuses on bilateral trade flows among the APEC economies. In our model, the key economic variables of the gravity model such as Gross National Product (GNP) and the geographical distance between corresponding pair of importing and exporting economies are used. In the general specification of the gravity model, the logarithm of bilateral trade flows in real value is regressed on logarithms of GNP of the exporters and the importers, of geographical distance between each pair of importers and exporters, and other variables that can account for the rest of the variation (Maskus and Wilson, 2001). The trade data used here is bilateral trade flow of agricultural and manufacturing goods among APEC member nations from FY 1989 to FY 2000. In the context of this research report, we augment the standard gravity model specification with the various indicators of trade facilitation.

2.4b Measuring Trade Facilitation

The definition of trade facilitation in earlier APEC work involved three dimensions: customs, standards and conformance, and business personnel mobility—although in empirical estimation there was but one proxy. Given the impact of technological innovation on trade as outlined in the Paperless Trading: Benefits to APEC, and to economic activity overall as discussed in the New Economy and APEC, the definition of and empirical proxies for trade facilitation investigated in this study should include the fourth dimension of electronic commerce as well.

In regard to specificity, our analysis includes seven indicators of trade facilitation which measure seven different categories of trade facilitation effort. These include:

1. Port logistics,
2. Customs procedures,
3. Own regulatory environment,
4. Standards harmonization,
5. Business mobility,
6. E-business usage, and
7. Administrative transparency and professionalism.

These seven indicators are built up from detailed survey and economic evidence, every element of which is specific to the APEC member.

How do the seven indicators relate to the APEC trade facilitation framework? There is a close relationship between our seven indicators of trade facilitation and APEC's framework of customs, standards and conformance, business mobility, and e-commerce. Moreover, the seven indicators closely match trade policymaker's concerns and technical assistance efforts.

- The 'port logistics' and 'customs procedures' indicators are two different views on trade facilitation at the border and represent different kinds of projects or technical assistance that a policymaker might use to address trade facilitation. These indicators fit under APEC's broad umbrella of customs. 'Port logistics' focuses on infrastructure quality and efficiency. 'Customs procedures' captures the APEC processes of IAP and CAP in the area of customs procedures.
- The 'regulatory environment' and 'standards harmonization' indicators are two different ways to address trade facilitation efforts under APEC's broad umbrella of standards and conformance. Regulatory environment focuses on unilateral regulations and enforcement of one's own regulations. 'Standards harmonization' measures the extent to which an economy has met APEC common standards through the IAP and CAP process.
- The 'business mobility' indicator proxies for its similarly named category in the APEC trade facilitation framework.
- The 'e-business' indicator measures the extent to which firms are using the Internet for electronic commerce.
- The 'administrative transparency and professionalism' indicators acknowledge the underpinning of effective trade facilitation since this aspect of trade facilitation is complementary to all others.

2.4c Trade Facilitation Indicators

Upon what are the indicators employed here based? First, they include economy-specific "raw" information that can be considered relevant for trade facilitation. Sources include IMD Lausanne, World Competitiveness Yearbook, (henceforth WCY), World Economic Forum, Global Competitiveness Report (GCR), Economist Intelligence Unit (EIU), Transparency International, and academic articles. Some rate the economies according to survey questions (e.g. Hiring foreign nationals is easy: 1= disagree strongly to 5 = agree strongly). Some data are numerical assessments (e.g., number of cellular phones in the economy). In addition, we draw on the findings of the Asia Pacific Foundation of Canada's set of three "Issues Reports on Progress" from 1999/2000, "Issue Report on Progress in APEC on Standards and Conformance," "... on Customs Procedures," and "... on Mobility of Business People," (all henceforth APF Issue Reports).

Because we use survey data and the APF analyses extensively, they deserve further comment.¹⁰ We turn to survey data because there are no other empirical data available on a

¹⁰ The data in the APF data sets may exclude achievements and commitments in implementation of APEC collective and individual action, including in the area of customs. Additional analysis using our template could employ, when

consistent basis for all of the APEC members. Some APEC members have done empirical studies of, say, improvements in customs costs and release-times trade facilitation efforts (as for example detailed in the Case Studies in Section 3). These are not available, however, for all of the APEC members (indeed are available only for a few), and we cannot assume that results obtained by say, Singapore, would equally be enjoyed by Vietnam. Indeed, the point of this research is to distinguish Singapore and Vietnam in their need for capacity building or pilot projects in various trade facilitation areas. Second, we turn to survey data because they are available for the range of trade facilitation indicators that we wish to examine—own regulatory environment as well as port logistics, and so on. Finally, we turn to survey data because we know that others are too, to assess an economy for FDI investment or for other purposes, such as donor consideration. Such survey data is not perfect, needs to be used with caution, and should be checked across alternative sources for similar proxies (as we do when we can). But it offers the only real potential for the cutting-edge research represented by this study.

Second, we use the APF analyses of APEC members' progress on IAP and CAP, specifically as "raw" inputs into the indicators for 'customs procedures,' 'standards harmonization,' and 'business mobility.' We recognize that these reports do not reflect the improvements in customs procedures, in business mobility, and in standards harmonization undertaken by APEC members in the last two years and as reflected in their current IAPs. However, despite the fact that these IAPs are available on-line, the information in them has not been distilled in a fashion useful for this analysis, as was done in the APF studies. To do such a distillation was beyond the scope of this study (indeed probably would have itself required 6 months). Moreover, the "Summary of VAP Reports in 2002" (2002/SOM3/CTI/SCSC/11rev), was completed contemporaneous with the presentation of the initial findings of this study, too late for inclusion in this study. Finally, since the trade data used in the gravity model span 1989 to 2000, the APF studies that assess the state of affairs in 1999/2000 is generous. A more extensive discussion of these Reports is in Section 5 of this study.

To put all the "raw" data on a comparable basis (since some are actual values, some are surveys, and so on), each observation of a raw series, which is an observation representing an APEC member, is indexed to the average of all the APEC members' value for the raw series. That is, each individual APEC-member data point is indexed to the average of all APEC members' data points. Each of these indexed-series we shall call an "indexed input." So indexed input for trade facilitation indicator i (1 to 7) and APEC member J :

$$TF \text{ index}_{ij} = TF_{ij} / \text{avg}_{\text{all } J} TF_i ;$$

In all, 20 separate "raw" data series with observations for each of 19 APEC members are used to create the seven trade facilitation indicators. (Unfortunately, data were universally unavailable for Brunei Darussalam or Papua New Guinea.) Building-up the seven indicators from multiple 'indexed inputs,' (as detailed below) reduces dependency on any one data source

data sets are compiled of new e-IAP system data from APEC which included a standardized format for reporting. The Appendix section also includes data from the Summary of VAP Reports in 2002 which includes relevant information. Reference of this data in extension of the analysis here may affect, in particular, the individual rankings of economies in areas such as standards and customs, for example. Rankings for those, such as Hong Kong, China, and New Zealand, for example, among others, in standards and customs generated with available data for other sources could affect results. Hong Kong, China, for example is the only free port among the 21 APEC members and use of data from the 2002 Voluntary Action Plan (VAP) report presented to the SCSC in 2002 indicate a 100% alignment in the APEC standards harmonization initiative. Extension of this analysis, within the context of APEC and usage of these data sets from 2002 would be a useful exercise in augmenting our analysis in this study.

or 'raw' series. The Data Appendix (Appendix A) describes in more detail the specific 'raw' data series used to create each of the seven indicators. Two examples are repeated here.

The indicator used in estimation, **Port logistics (pl)** is designed to measure infrastructure quality and direct customs costs. It is the simple average of three 'indexed inputs': Port Efficiency Index from Clark, Ximena, David Dollar and Alejandro Micco (2001). "Maritime Transport Costs and Port Efficiency," World Bank Group. From the Global Competitiveness Report, "port facilities and inland waterways are extensive and efficient," and "air transport is extensive and efficient" (both with a 1=strongly disagree, 7=strongly agree survey rating)". Covariance analysis of the three original inputs that create the indicator **Port logistics (pl)** shows a high correlation among them (0.87 to 0.96) raising the likelihood that the port logistics indicator measures what it purports to. A simple average of the three 'indexed inputs' is used on the grounds that there is no specific argument—theoretical or otherwise—to support a more complex weighting scheme.

Another example is the indicator used in estimation, **Administrative Transparency and Professionalism (tc)** which is designed to measure just what it says. It is the simple average of four 'indexed inputs': From the Global Competitiveness Report "Irregular, additional payments connected with import and export permits, business licenses, exchange controls, tax assessments, police protection, or loan applications are very rare;" (Survey respondents rate 1=strongly disagree to 7=strongly agree). From World Competitiveness Yearbook, "Bribery and corruption exist in the economy" and "Transparency of government policies is poor;" (survey respondents rate on 1-10 scale, 1 is strong agreement.) From Transparency International, The Corruption Perception Index." The correlations among these 'indexed inputs' is above 0.9 except for the WCY transparency measure.

Figures (2.1-2.3) show the seven trade facilitation indicators created for each APEC member from the 'raw' data. APEC members are ordered on the vertical by real GDP per capita. Each indicator for each economy is represented by a horizontal bar. The vertical line at 1.0 represents the APEC average of the created indicator. So, a bar, representing an APEC member on a particular indicator of trade facilitation, which extends to the right of the 1.0 vertical line suggests an economy where that created indicator is above the average for all of APEC. Bars that do not reach the 1.0 line indicate economies, which by that particular indicator of trade facilitation, fall below the average for APEC.

Figure 2.1: Indicator variable for estimation:
 Port Logistics and APEC_Customs procedures

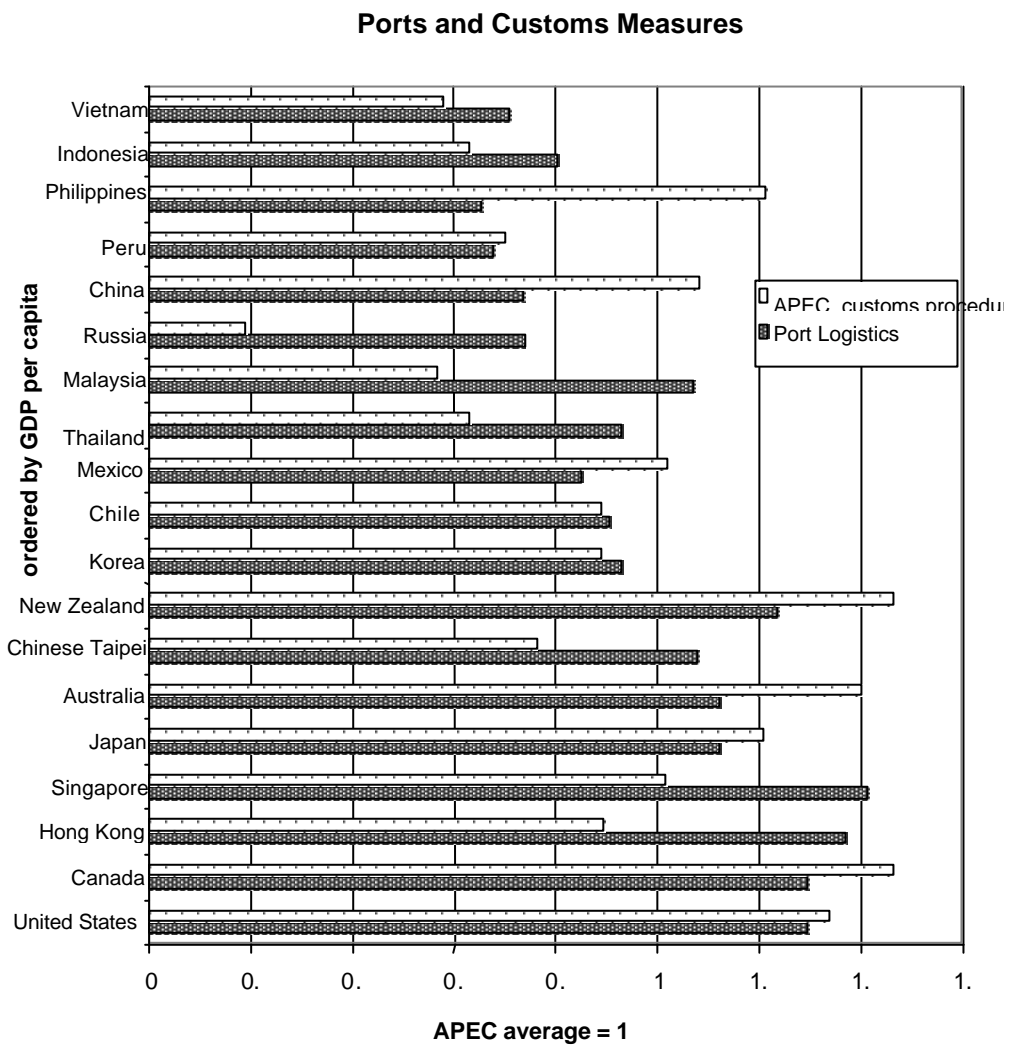


Figure 2.2: Indicator variable for Estimation:

Regulatory Environment , APEC_Standards Harmonization, and Administrative Transparency and Professionalism

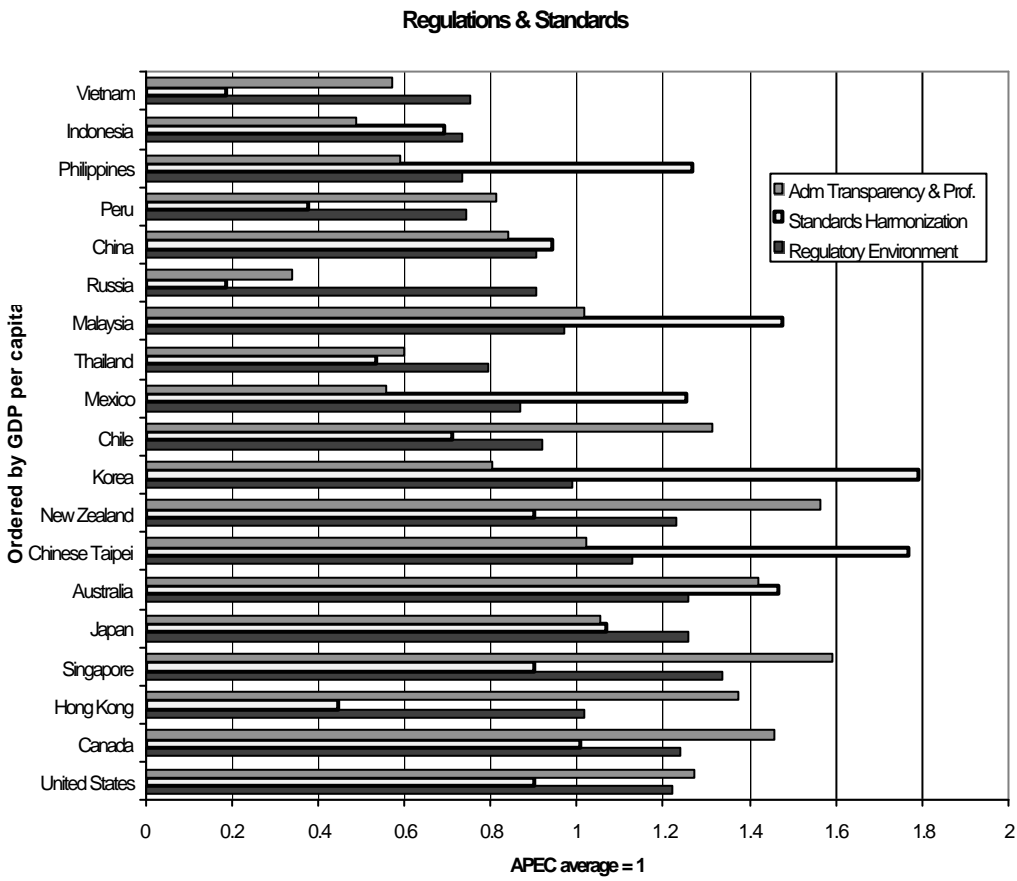
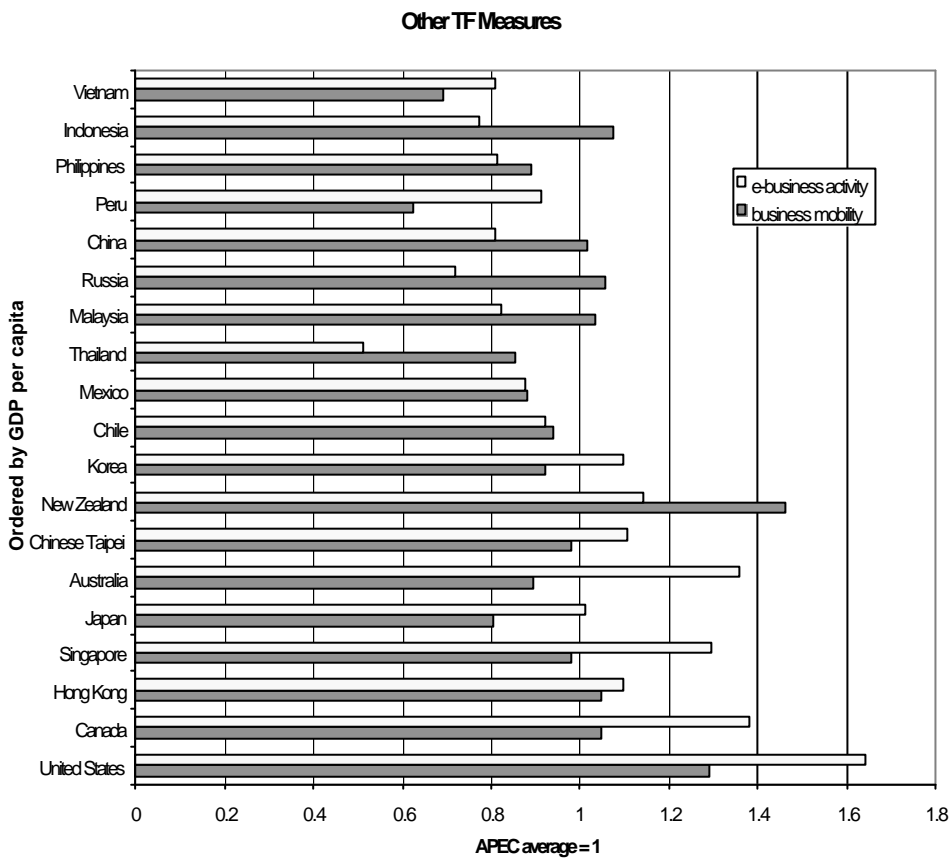


Figure 2.3: Other Indicator Variables Used in Estimation:

E-business and Business mobility



For the trade facilitation indicators that are built-up from general sources, such as GCR or EIU (port logistics, regulatory environment, business mobility, e-business, and administrative transparency and professionalism), the correlations among the 'indexed inputs' are generally quite high (about 0.9). This suggests that the survey respondents from each of the sources are broadly consistent with each other in their ratings of the APEC member. This suggests a robustness of the indicator as to source of the information, and raises the confidence level that the indicator is correctly assessing the economy on a particular indicator of trade facilitation.¹¹

On the other hand, for the trade facilitation indicators that are built-up from the APF sources (APEC customs procedures and APEC standards and conformance), the correlations are much lower (around 0.4). This could be because the IAP and the CAP do not necessarily include unilateral measures to improve trade facilitation in these areas and that the IAP and CAP, and that an economy's achievements under its own IAP and with respect to the CAP differs.

2.5 The Gravity Analysis and Regression Results

Using a standard gravity model as reviewed above, the basic structure of our specific gravity equation is the following:

- $\text{Log}(\text{exports } X_{I \text{ to } J} \text{ for APEC economies } I \text{ and } J)$ is a function of
- $\log(\text{port logistics }_J)$, $\log(\text{APEC customs procedures }_J)$,
- $\log(\text{regulatory environment }_J)$, $\log(\text{APEC standards harmonization }_J)$,
- $\log(\text{business mobility }_J)$, $\log(\text{e-business }_J)$,
- $\log(\text{administrative transparency and professionalism }_J)$
- $\log(\text{realGDP }_J)$, $\log(\text{realGDP }_I)$, $\log(\text{realGDP per capita }_J)$, $\log(\text{realGDP per capita }_I)$,
- $\log(\text{distance between capital cities } I \text{ and } J)$,
- dummy variables for NAFTA, ASEAN, LAIA, English, Chinese, Spanish language, and adjacency.

Table 2.4 shows the variable names and expected signs for the seven trade facilitation measures:

¹¹ For a visual presentation of the same facts, figures in Appendix A, using a format similar to the ones presented here, show the 'indexed inputs' that are averaged to create each of the trade facilitation indicators. So, for example, all three of the 'indexed inputs' for each APEC economy that are averaged to create the 'port logistics' indicator for each APEC economy are shown. If the lengths of the different bars for an economy are nearly the same, this means that the 'raw' source data as indexed to the APEC average equals one are quite similar for this economy and are giving a consistent picture of this measure of trade facilitation for the economy.

Table 2.4: Regression Overview

Trade Facilitation Measure	Variable name	Sign	Discussion of expected sign
Port logistics	(lpl)	(+)	As port logistics improve at destination J , X_{IJ} increases
APEC customs procedures	(lcp_APEC)	(+)	As economy J implements APEC customs procedures, X_{IJ} increases.
Regulatory environment	(lre)	(-)	As economy J unilaterally tightens standards, X_{IJ} falls.
APEC standards harmonization	(lsc_APEC)	(+)	As economy J conforms to APEC standards, X_{IJ} increases
Business mobility	(lbn_APEC)	(+)	As economy J relaxes hiring and immigration for business people, X_{IJ} increases.
E-business usage	(lebusi)	(+)	As economy J increases business use of Internet, X_{IJ} increases.
Administrative transparency and professionalism	(lrc)	(+)	As economy J improves its transparency and reduces corruption, X_{IJ} increases.

Table 2.5: Regression Results

manufactured goods				agriculture and raw materials			
variable	Coef.	std. Err	t	variable	Coef.	Std.Err	t
lpl	5.219835	0.244294	21.37	lpl	3.783959	0.276989	13.66
lcp_apec	-0.233721	0.079924	-2.92	lcp_apec	-0.117647	0.090636	-1.3
lre	-3.084366	0.270567	-11.4	lre	-1.55033	0.306436	-5.06
lsc_apec	0.764969	0.046112	16.59	lsc_apec	0.477785	0.052214	9.15
lrc	0.452864	0.135667	3.34	lrc	-0.348855	0.154196	-2.26
lbn	-0.40932	0.143493	-2.85	lbn	-0.427442	0.162598	-2.63
le-bus	0.282571	0.103606	2.73	le-bus	0.633212	0.117508	5.39
ldist	-0.5817	0.024419	-23.82	ldist	-0.843762	0.027657	-30.51
R-sq: within = 0.7063				R-sq: within = 0.6335			

Table 2.5 displays regression results that yield a number of observations.¹² In overview, the approach used in the study to create a set of distinct trade facilitation indicators and deploy them in a gravity model of trade is generally successful. The coefficients for the seven trade facilitation measures are generally significant and most are of the correct sign. The coefficients are different from each other, and are different for trade in manufactured goods versus trade in agriculture and raw materials, suggestive of different implications of trade facilitation efforts by both specific indicator and for broad categories of trade. This is what we hoped for, that the variation in trade facilitation measures would be reflected in different elasticities of trade with respect to these measures. From the standpoint of policymaking, these differences in elasticities imply possible different approaches to trade facilitation to affect exports of individual economies and of the APEC region as a whole.

More specifically:

- In sum, our analysis reveals that trade facilitation involves more than reducing the cost of transportation and distance -- although these are the most important. This suggests that a multiple-target approach to policy reform and action has substantial traction to increase intra-APEC trade. Our results indicate that other empirical research on quantifying the benefits of trade facilitation, which used transport costs as a proxy for trade facilitation, likely underestimated the elasticity of trade with respect to broad trade facilitation efforts. This is an important first consideration for policymakers as they consider trade and development priorities in the future.
- Under the APEC rubric of customs, 'port logistics' has by far the highest elasticity. This suggests that the greatest gains to intra-APEC trade would come from improvements in this area. An elasticity of trade with respect to port functions of this magnitude is supported by internal analyses reported by Hong Kong, China; and Japan as presented in a Trade Facilitation Seminar held in Bangkok, Thailand (August 2002). On the other hand, aligning members' 'customs procedures' through the IAP/CAP processes somewhat surprisingly is negatively associated with intra-APEC trade. This variable accounts for both consistency between the IAP and CAP (a member's intentions) as well as actual implementation of those goals, so a difference between intention and achievement may affect this measure. Moreover, unilateral efforts to improve customs procedures may not be reflected in the indicator used here. Finally, multicollinearity among various variables in the regressions (particularly with 'administrative transparency and professionalism' may also affect this result.
- Under the APEC rubric of standards and conformance, unilateral tightening of regulations ('own regulatory environment') has a significant and deleterious effect on trade in the APEC region, particularly for manufactured goods trade. On the other hand, harmonization to APEC standards through the IAP/CAP processes has a significant and positive effect on trade in the APEC region, particularly for manufactured goods trade. This suggests a key role for both the intention to meet own IAP, the important goals of APEC's CAP in this area, as well as the implementation thereof.

¹² Complete regression output is in Appendix A.

- Enhancing business mobility has an unexpected negative sign, perhaps pointing to poor measurement, or that, in fact, business mobility has little positive impact on trade.
- E-business usage has a positive and significant effect on intra-APEC trade in both manufactures and agriculture/raw materials. Whereas the coefficients are not large, the fact that the indicator is robust in estimation should support efforts within APEC to enhance e-commerce usage through the e-APEC Strategy and Paperless Trading initiatives.
- Administrative transparency and professionalism has a positive and significant effect on intra-APEC manufactures trade, although it has a surprising negative coefficient on agriculture/raw materials trade. Multicollinearity between 'standards harmonization' 'customs procedures' and 'administrative transparency and professionalism' may be a source of problems in the regression. However, the robustness of this coefficient in the context of manufactured goods supports the importance of transparency and professionalism.

Given the potential problem of multicollinearity of regressors, some robustness analysis was undertaken. Using the same functional form of the model and regression, but with somewhat different 'indexed inputs' averaged into the indicators for 'customs procedures' and 'business mobility' (using survey data in addition to APF analysis) and collapsing 'customs procedures' and 'administrative transparency and professionalism' into a single variable yielded the following assessment of robustness of regressors: The 'port logistics' and 'standards harmonization' and 'e-business' variables are remarkably robust as to sign and magnitude of coefficient regardless of what other regressors are used; this is particularly true of the dominant variable of 'port logistics.' Various efforts to obtain 'more intuitive' estimates for variables that are indicators of customs procedures failed to alter its unexpected negative sign. Similarly, alternative approaches to measuring business mobility did not yield the more intuitive positive correlation.

Accordingly, the regression model as shown above was used for simulations on the key variables that were most robust: 'port logistics' and 'standards harmonization' and 'e-business;'" 'administrative transparency and professionalism' was also a focus of simulations.

2.6 Simulation With the Gravity Model Results

The gravity model approach allows us to consider how much trade in the APEC region might be increased under various scenarios of "improved" trade facilitation. We will examine scenarios that focus on improved port logistics, improved standards harmonization, improved administrative transparency and professionalism, and improved e-business usage. Our objective is to use our trade facilitation regressions to help inform policymakers in the individual economies of APEC of which kinds of trade facilitation efforts might achieve the greatest improvements in trade for them, first under conditions of common effort by all APEC members and second, under conditions of unilateral effort. Thus, the scenarios are designed both to help inform the individual APEC member and the donor community on which kind of pilot projects and capacity building could reap the greatest benefit, as well as to help APEC the institution to pursue consensus improvements (for example through the CAP process) to reach the Shanghai objective, the Bogor goals, and generally to increase intra-APEC trade.

To better present a foundation that might inform the decision to reach these objectives, our approach to running scenarios differs somewhat from the standard approach. The standard approach to running scenarios is to assume an X percent change in the target variable for all

individuals in the regression sample: say a 10 percent improvement in the ‘port logistics’ variable for all APEC members. However, this strategy does not make sense in the context of trade facilitation efforts where some economies are already leading the way with best practices and others are no where near even the APEC average.

Changing the approach to simulation scenarios is particularly important given that the objective of these exercises is to help point to where policymakers and donors might direct money and other forms of assistance. For example, if an economy is already using best practices in ‘port logistics’ it really does not need to improve a further 10 percent, and really should not direct additional funds to an area where it already is a global leader in practice. On the other hand, those with very poor ‘port logistics’ could, with assistance and capacity building, improve by more than 10 percent from where they are now. So, the common simulation methodology of applying a standard metric of an X percent improvement for all does not make sense in the context of our objectives. In contrast, our scenarios take account of this differential potential for improvement. (Recall that this different metric of improvement for different APEC members was also applied in the APEC 1999 study, with a 1 percent reduction in costs for industrial and newly-industrializing members of APEC and a 2 percent reduction in costs for developing members of APEC.)

Before looking at the results, a bit further explanation of the perspectives for analyzing the results is appropriate. First, for any individual economy within APEC, we can consider the change in trade from the perspective of the economy as an exporter to the APEC region. Here the gains in exports for any individual economy will depend on which economies within APEC the economy trades with and how much improvement is achieved by those trading partners under the particular trade facilitation scenario. As an exporter, gains from trade facilitation result less from what the economy does itself and more from what the APEC membership does collectively to improve trade facilitation.

However, for any individual economy, we also can consider the change in trade from the perspective of the economy as an importer. Here the gains (which are measured as increased imports) depend only on unilateral trade facilitation efforts of the economy itself. From this perspective, the increase in imports from trade facilitation, point to those areas where there are greatest inefficiencies with respect to trade facilitation in an economy. Some policymakers look askance at increased imports, and would not want to undertake any trade facilitation effort that would yield more imports. This point of view is mistaken in the context of an exercise in trade facilitation. Rather, our scenarios help measure the inefficiencies and costs imposed on domestic producers, consumers, and future exporters from a poor trade facilitation environment at home. Increased trade, including imports and exports raises welfare over time.

The scenario results and applicability to pilot projects are addressed following a consideration of lessons learned in selected case studies of trade facilitation projects undertaken by economies in the region.

2.7 Application of Results to APEC 5% Goal

The methodology and approach in our empirical analysis attempts to measure trade facilitation in a manner more specific to international commerce than focusing on customs or port efficiency alone. The framework of trade facilitation indicators used here matches APEC’s broad concept of trade facilitation and generates useful information to assist in policy formulation. This is true for both individual economies and for APEC as an institution. The

gravity model developed here allows an examination of two different types of trade (manufactured goods and agriculture and raw materials) which can help determine the effectiveness of various trade facilitation efforts for individual APEC members.

The goal of reducing the transactions costs of trade by five percent has been put forward in the Shanghai Accord. A first approach is to equate transportation costs of trade with transactions costs of trade. Our analysis suggests that we must think of trade facilitation in broader terms, although our research does reveal the importance of port logistics to overall trade performance. The results in this section point to other key areas where APEC as a group can significantly improve trade through broad-based trade facilitation efforts. This includes standard harmonization, improved administrative transparency and professionalism, and increased e-business usage. For individual economies, these results can help inform policy makers of where the greatest bottlenecks to greater trade might be. Reform efforts, capacity building, donor assistance, and private sector partnerships can use these results as input to decision-making and direction of effort.

3. Three Case Studies of Trade Facilitation in the Asia-Pacific

In order to develop recommendations to enhance and expedite international trade, it is important to draw on past experiences in trade facilitation, both successful and unsuccessful. Each of these experiences must be considered in the context of a peculiar economy, its economic, social, and political environment. This section of the report provides an overview of three successful examples in trade facilitation—experiences of Chinese Taipei, Peru, and Republic of Korea. They were selected for study in an effort to provide a balanced view by examining APEC members different in economic, geographical, and cultural respects. The selected cases involve several trade facilitation measures, an advantage that allows a multi-faceted approach to trade facilitation, and highlights the impact of facilitation measures in support of economic development.

The case of Chinese Taipei focuses on regulatory measures and customs reform, while the study of Peru examines effects of e-commerce and innovations in customs policy, and the example of Korea demonstrates the compound effect of regulatory changes, information technology, and customs reform. Accordingly, these case studies in collection point to the value of pursuing the detailed empirical efforts presented in the previous section.

3.1 Case of Chinese Taipei

3.1a Risk Management and Technology in Chinese Taipei

At the turn of the 21st century, Chinese Taipei, with only 36 thousand square kilometers in area, was the sixteenth largest economy in the world. Chinese Taipei was also the fourteenth largest exporter in the world, selling in 2001 over \$168.5 billion in goods and services abroad. The economy's annual imports of over \$ 165.7 billion placed Chinese Taipei number 16 on the list of the world's largest importers. These figures reflected efforts of Chinese Taipei to promote free trade. In 1992-1994 Chinese Taipei customs completed the Air Cargo and Sea Cargo Import/Export Automation Systems. These systems linked together customs clearance units and private businesses through Trade Van and enabled Electronic Data Interchange (EDI) among all units. Along with other efforts, these measures allowed for an efficient, fast, and often paperless customs clearance process.

In this predominantly barrier-free clearance process, the major challenge centered on ensuring compliance. This was clearly identified by Mr. Ren-Hsiung Fu, former Director General of Chinese Taipei Customs: "A barrier-free clearance environment is not meant to abandon its duty of anti-smuggling and prevention of fraud, but to change our enforcement strategy from containment to risk management by which to target high risk groups, i.e. to rely increasingly on technology that pinpoints risk and permits the low risk cargoes and passengers to pass through customs unimpeded."¹³

In the 1990s, the number of declarations processed by the Chinese Taipei customs increased by over one third from 4.7 million in 1991 to over 7 million in 2000.¹⁴ During the

¹³ From the speech of Mr. Ren-Hsiung Fu to Chinese Taipei and foreign express consignment carriers in 1999, taken from Dr. William L. Wang, *Chinese Taipei Modernization in Achieving Facilitation and Enforcement*, The Inter-American Development Bank *Best Practices Exchange Program for the Customs Administrations of the Caribbean, Latin America, and East Asian Countries*, September 2001.

¹⁴ Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p. 103

same period the customs personnel decreased from 4,369 to 4,191. Thus, Chinese Taipei customs was confronted with two new tasks: how to control spiraling volumes of trade with diminishing resources and how to enforce regulation without impeding trade.

3.1b The Reform Program

In 2000, in order to address the challenge of enforcement in the environment with greater trade flow and fewer financial resources, Chinese Taipei customs launched a reengineering program. Customs management decided to develop a system that would determine which shipments needed inspection and which could be cleared freely.

Traditionally, cargo selectivity and entry summary selectivity were combined by Chinese Taipei customs into one step. This allowed for simultaneous completion of cargo examination and document review before the shipment release. Traders needed to file customs declaration only once, transmitting it via the Electronic Data Interchange. Within 15 minutes of filing the declaration, the traders received a notice regarding the classification of their cargo. Cargo was classified into three categories, C1, C2, and C3 according to the potential risk of the shipment. Classification C1 referred to shipments with minimal risk that could bypass clearance. Goods classified as C2 were subject to document review, while cargo that fell into C3 category was subject to shipment inspection and document review if necessary.

In late 1990's the examination rates for air and sea cargo were 18% and 25%, respectively.¹⁵ However, in order to handle the increasing volume of trade, Chinese Taipei customs set an ambitious goal of reducing the inspection rate to less than 5%. To accomplish this goal, the Customs Reengineering Promotion Committee organized a task force to review cargo classification process and to narrow the focus of customs inspections. In addition to imports required for examination, the task force reviewed those for which traders often requested an inspection. As a result of this campaign, the average inspection rate for sea cargo was reduced from 25% to 20%, while this figure for air cargo fell from 18% to 10%.¹⁶ The reform maintained control over key shipments while loosening regulations and expediting clearance for lower-risk cargo. What were the key elements of the program?

3.1c Risk management

In the context of customs, risk management refers to the way of determining specific cases and methods of customs intervention that would, on the one hand, ensure compliance and, on the other, facilitate legitimate trade. In May 1997, the APEC Subcommittee on Customs Procedures (SCCP) endorsed risk management technical assistance as a part of the Collective Action Plan (CAP).

One of the first steps in the risk management reform was customs management training supplied by in-house instructors trained by the APEC-SCCP and the United States customs service. Also, an APEC Study Mission Team conducted an expert study mission in Chinese Taipei in November 2000. About 100 experts from Chinese Taipei customs, including those from each of the four customs bureaus (Keelung, Taipei, Taichung, and Kaohsiung), had the opportunity to draw on the experience of the experts.

¹⁵ Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p. 104

¹⁶ Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p. 104

At the next stage of the reform, Chinese Taipei customs created three task forces to raise efficiency of each of the three enforcement systems for cargo clearance—manifest review, cargo selectivity, and post import/export audit. In the area of the manifest review, the task force was confronted with the goal of removing all manual processing to refine targeting illegal shipments and ensure prompt identification of smuggling before filing all entries. At the stage of cargo selectivity, another task force was created to fine-tune the targeting system and narrow down the focus of examinations. Finally, at the level of post import/export audit, the efforts of the team focused on developing a process to conduct post-import audits to further limit opportunities for smuggling.

The risk management process was formalized in six distinct phases—risk identification, risk analysis, risk evaluation, treatment of risk, monitoring, and soliciting feedback. At the stage of risk identification, Chinese Taipei customs broadened the range of sources for identifying risky shipments to include intelligence suspicions, allegations of violation, historical data as well as judicial and regulatory investigations.

At the stage of risk analysis, Chinese Taipei customs developed a comprehensive approach to risk evaluation. To determine the degree of risk, customs analyzed the frequency and patterns of violations, specifics of goods involved, and risk consequences such as evasion of duties or threat to public health.

With respect to risk evaluation, traders were classified into three categories—low risk, medium risk, and high risk—each carrying a different weight in cargo selectivity. In the area of risk treatment, customs authorized supervisors to set flexible selectivity criteria that changed on a daily basis. This measure prevented illegal importers from using cause/effect and historical analyses to determine targets of customs selectivity. Also, performance review of customs personnel was reviewed to reflect employee efforts in enhancing importer compliance rates.

In order to ensure constant evaluation of selectivity criteria, Chinese Taipei customs established history files that identified authors of criterion changes and result files that reflected the effectiveness of the selectivity criteria. Improved techniques in the area of risk management substantially expedited customs clearance without compromising control over the shipments. Average clearance time for air cargo was reduced to 21 minutes and over three-fourths of entries bypassed customs. Average time for sea cargo clearance declined to 1 hours and 52 minutes, with over 50% of entries bypassed.¹⁷

3.1d Post-import/export audits

Increased trade volume, shorter clearance time and loosened inspection requirements raised the importance of post-import audits. Measures in several areas of customs process focused on further increasing compliance and eliminating illegal practices.

In the regulatory area, customs legislation was revised to allow customs auditors to review importers' and exporters' bookkeeping records and computer files. In coordination with tax authorities, customs developed mechanisms for crosschecks between the declared value of

¹⁷ These figures were updated by Chinese Taipei, but are corroborated by those presented in M. Lane, Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p. 106

goods and taxes paid. Finally, customs developed explicit guidelines for conducting audits, thus taking another step towards a more standardized and transparent audit process.

In the area of human resources, customs officials received further training in auditing. As a result of several specific bilateral training experiences, over 300 Chinese Taipei customs officials received advanced training in auditing.¹⁸ Finally, IT personnel in cooperation with customs officers developed a wide range of automated tools to facilitate query operations in the Electronic Data Interchange mode.

3.1e Partnerships with Traders

In order to increase its scope of control, Chinese Taipei customs established strategic partnerships with exporters, importers and other trade agents. These parties started to share some of customs responsibilities in identification of illegal practices. In return, these parties received preferential treatment, such as reduced examination rate and exemption from mandatory cargo escort, critical aspects for businesses such as express carriers.

To standardize conditions of partnerships, Chinese Taipei customs developed a Memorandum of Understanding (MOU) that delineated cooperation of customs with involved parties. Success of the initiative was reflected by over 71 signed partnerships that led to a significant number of seizures. One example was seizure of multiple shipments of the drug Ecstasy based on the information provided by express carriers.

3.1f Results

Chinese Taipei customs achieved considerable success in trade facilitation by battling bureaucracy, inefficiency, and in compliance on multiple fronts. Efforts in the regulation of cargo inspection reduced average examination rates by 20-40% and expedited clearance without jeopardizing control over shipments. Risk management techniques ensured more accurate analysis of shipments and direction of customs resources targeted specifically at high-risk cargo. Human and financial resources were saved at the same time as there was increased compliance in goods crossing the border: More effective techniques of risk analysis, enhanced by information technology, enabled customs officials to prevent over 8 thousand illegal shipments valued at about \$20 million in 2000.¹⁹

Innovations in auditing further decreased trade barriers by examining select shipments only after customs clearance. During the first half of 2001, such carefully selected audits led to uncovering 121 fraud cases, increasing the state budget by \$3.5 million in collected duties and fines.²⁰ As a result of multiple efforts in different areas of trade facilitation, Chinese Taipei customs increased efficiency, precision, and transparency. Chinese Taipei clearly demonstrated how more efficient trade policies translate into more broadly-based economic benefits.

¹⁸ A Senior Auditor of the Regulatory Audit Division of the US Customs Service and other auditing experts were dispatched to Chinese Taipei to give lectures and provide guidance to customs personnel. A senior auditor of Chinese Taipei customs was sent to receive training from the US Federal Law Enforcement Training Center.

¹⁹ Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p. 104

²⁰ Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p. 106

3.1g Lessons Learned

The example of Chinese Taipei customs demonstrates that enforcement and trade facilitation are not mutually exclusive tasks. Moreover, such goals can be achieved even under conditions of scarce resources and increasing trade volumes. Since it is difficult for customs to affect trade volumes, the key emphasis should be put on adapting to new trade patterns and implementing changes that would address developments in international trade.

Chinese Taipei customs showed the effectiveness of extending customs networks into the trade community. Establishing partnerships with credible, low-risk business partners created an atmosphere of mutual trust, helping to build a stronger, more transparent trade community with fewer regulations and more favorable investment climate. In the future, this measure will leverage the expansive resources of the private sector and help solve the problem of finances faced by many government agencies in the developing economies.

Finally, the experience of Chinese Taipei demonstrates that an effective approach to trade facilitation and enhanced compliance involves improved risk management, a technique that improves customs inspections. The more precise the examinations, the greater savings of resources while at the same time accelerating trade.

3.2 Case of Peru

3.2a Customs Reform in Peru

At the beginning of the 1990's, Peruvian Customs was an organization with a staff of approximately 4000, responsible for the processing of \$4 billion in imported goods. Customs collected annual duties of \$626 million, a figure that represented nearly a quarter of all government revenues.²¹ Outside observers and multinational carriers of goods often characterized Peruvian customs as a poorly equipped, under funded organization with inadequate facilities and poorly trained and incompetent staff. These observations were also supported by the statistical data.

In 1991 only 2% of Peruvian Customs personnel were professional employees.²² Paperwork-intensive systems and antiquated customs procedures, combined with an inspection rate of 70 to 100%, resulted in clearance times ranging from 15 to 30 days. High and complex tariffs with 39 duty levels ranging from 10% to 84% further aggravated the situation. Lack of conformance among officers working in the 19 ports, absence of transparent guidelines, and extensive individual discretion of underpaid staff all created ample opportunities for corruption. As a result, customs fell far short of the projected revenue collections even in the environment of high duties.

²¹ Lane, M., *International Supply Chain Management and Customs. Peru—a Case Study*; The World Bank, October 2001, p. 6

²² Lane, M., *International Supply Chain Management and Customs. Peru—a Case Study*; The World Bank, October 2001, p. 6

3.2b Forerunners of Change

The early 1990's were marked by a few political and economic factors that encouraged positive changes in the customs process. In 1991 Peru noted problems in customs administration and expressed intent to reform along with appointment of a new Superintendent of Customs. A new management team was established to carry forward a reform program and took responsibility for the reform process. Among those providing initial management guidance and financial support were the Inter-American Development Bank, the Organization of the American States, and the World Bank. Consultants were employed on an ad hoc basis when the specific expertise and skills were needed.

3.2c The Reform Program

Peruvian Customs implemented a top-to-the-bottom approach. The new customs management team were committed to instill integrity, service and competence in the organization through the introduction of procedures and controls from the top. A uniform Code of Conduct was established to communicate the change in culture and standards within the organization. The goal of this innovation was to ensure conformance and transparency throughout the system and limit individual discretion of personnel. The management team developed a four-step action plan. This action plan was guided by the three Technical Cooperation Agreements with the IBD for Customs Reform and Modernization. The reform action plan included 4 distinct phases: (1) Addressing the fundamentals of customs; (2) Applying leverage; (3) Advancing skills and knowledge; (4) Implementation and integration. Each phase of the action plan focused on a particular area, had its clearly defined tasks and a determined timeline.

The task of the initial stage of the reform was to resolve problems involving Peruvian customs as a whole, such as excessive tariff levels, corruption, poor training, low automation, and excessive individual discretion. An immediate emphasis was placed on new customs legislation that was meant to establish a more transparent environment and ensure concerted actions of customs officials. A new customs law reduced 39 tariff levels ranging from 10% to 84% to only two tariff levels of 15% and 25%.²³ Other changes in legislation focused on conformance of Peruvian regulations with international customs standards, such as those established by the Kyoto Convention on the Harmonization and Simplification of Customs Procedures. Legal changes set up the stage for addressing one of the most difficult aspects of change management—human resources.

3.2d Changes in human resource policy

To deal with issues in human resources, management implemented a two-tiered approach: first, all employees who were found involved in corruption were let go; second, management contracted with a university to develop tests of employee competence. Continued employment of personnel was made contingent on passing these tests. Although substantial pressure was exerted on the customs to rehire discharged employees, customs management, backed up by support elsewhere in government resisted this pressure. As a result of these efforts, employee corruption decreased, while competence levels improved. As a part of the reform in

²³ Lane, M., *International Supply Chain Management and Customs. Peru—a Case Study*; The World Bank, October 2001, p. 15

the area of human resources, salaries of the retained personnel were dramatically increased to equal almost 10 times the amount of previous salaries.

Several other steps were taken to increase the competence of customs officers. Hires for professional positions were limited to university graduates. Furthermore, management established a training academy and offered up to one year of training to new and incumbent employees. In addition to these efforts, customs embarked on a program to bring new skills and knowledge to organization through external recruitment of mid-career professionals — economists, auditors, statisticians, and information technology experts. As a result of these measures, percentage of professional employees in Peruvian customs increased from 2% to 60%.²⁴

3.2e Introduction of advanced technology

Customs management introduced information systems to coordinate and streamline the clearance process. Customs explored the implementation of ASYCUDA, an information system developed by the United Nations Conference on Trade Development (UNCTAD) to automate the trade process. However, after consideration of ASYCUDA and a few other alternatives, management decided to develop its own system—SIGAD, tailored specifically to the customs needs. The introduction of SIGAD allowed Peruvian Customs to target specific shipments for intensive inspection, reduced paperwork, collect accurate trade statistics, and facilitated the flow of goods through customs control. This information system not only enabled Peruvian Customs to handle an expanded workload with a reduced staff but also relieved officers from many routine tasks and allowed the newly skilled workforce to focus on analytical problems.

The new information system enabled customs agents to file entries electronically, pay duties directly to the designated financial institutions, and consult in real time with any other members of the organization. Electronic cataloging and identifying high and low risk shipments allowed officers to reduce manual inspection rates from 70-100% to a maximum of 15% and average clearance time fell from 15 to 30 days to a range of 2 hours to 2 days.²⁵

As a result of these innovations, Peruvian customs was transformed into an information-based organization where pre-processing and post-audit techniques replaced physical inspection and paper-based systems. Successes of the SIGAD information system led several other South American customs to consider it for adoption.

3.2f Results

As a result of the reform, the efficiency of Peruvian customs was significantly improved. This was reflected in the fact that Peruvian customs was ranked among the 10 best performing Peruvian organizations in the private or public sector.²⁶ Successes of the customs reform in Peru quickly translated into improvements in the area of trade facilitation. The most remarkable achievement of the reform is the combination of a reduction in tariffs and personnel with a huge

²⁴ Lane, M., *International Supply Chain Management and Customs. Peru—a Case Study*; The World Bank, October 2001, p. 9

²⁵ Lane, M., *International Supply Chain Management and Customs. Peru—a Case Study*; The World Bank, October 2001, p. 15

²⁶ Lane, M., *International Supply Chain Management and Customs. Peru—a Case Study*; The World Bank, October 2001, p. 14

increase in the revenues. The following comparison of Peruvian customs in 1990 and 1996 summarizes the major successes of the reform and underscores their ultimate effect on trade:

- Duty rates were simplified from 39 categories to only 2 levels.
- Duty rates were reduced from a range of 10% to 84% to two tariff levels of 15% and 25% .
- Staffing was reduced by approximately 30% from 3800 to 2600 persons.
- Release times went down from 15 to 30 days to a range of 2 days to 2 hours.
- Import value increased nearly 100% from \$4 billion in 1990 to \$7.5 billion in 1996.²⁷
- Customs revenue increased by 4 times from \$626 million to \$2723 million despite reductions in inspection rates, personnel and duty rates.²⁸
- Customs contribution to national revenue collections increased from 23% to 35%.

Of course, there are always areas for improvement. The trade and business community in Peru has expressed concerns regarding the appeal process for re-classification and re-valuation of customs, the fact that minor mistakes (such as clerical errors or manifest discrepancies) are treated as violations and often result in serious penalties, that there are still inefficiencies in cargo release, and that smuggling and contraband trafficking are not yet completely excluded from customs practice. Yet clearly, Peru has made progress in the area of trade facilitation.

3.2g *Lessons Learned*

The example of Peruvian customs demonstrates that economies can implement successful trade facilitation projects in a relatively short period of time. The two essential factors for the success of the reform are political support from top government officials and a strong management team capable of implementing changes.

Moreover, Peru offers some lessons on the issue of revenue collection and compliance on the one hand and trade facilitation on the other. Some governments believe that they have to make a choice and as a result, some emphasize enforcement at the expense of trade facilitation, while others sacrifice compliance to facilitate trade. This case demonstrates that an economy can increase its customs revenue, improve standard compliance, and facilitate trade at the same time.

Automation and e-commerce are often regarded as additional attributes that do not fundamentally change the major procedures of trade. Peruvian customs has shown that appropriately applied technology is one of the key aspects in trade facilitation, and a measure that can revolutionize the trade process.

3.3 **Case of Republic of Korea**

3.3a *Customs, Regulatory Reform, and E-Commerce in Republic South Korea*

In the second half of 1990's, South Korea was confronted with two major tasks to address new problems in international trade. The first goal was to adopt information technology to

²⁷ Lane, M., *International Supply Chain Management and Customs. Peru—a Case Study*; The World Bank, October 2001, p. 14

²⁸ Lane, M., *International Supply Chain Management and Customs. Peru—a Case Study*; The World Bank, October 2001, p. 15

modernize and streamline the customs clearance process. The second task was to simplify import regulations and curtail logistics costs that represented a growing portion in the cost structure of importers.

Introducing information technology was essential for improving customs transparency. Most of the information provided by the customs was supplied manually and in paper form, which significantly delayed processing of requests. If the interested parties could not get a full access to needed information, some had to rely on personal relationships, which inhibited customs transparency and bred favoritism. Also, this situation prevented importers from adopting modern inventory control systems such as just-in-time delivery, which raised the cost of international business.

These problems led Korean Customs Service (KCS) to consider developing an information system that would share with importers real-time data about customs clearance. Such system would prevent delays or unjust handling and allow importers to exercise greater control over the shipment schedules.

The second task faced by Korea was to simplify import requirements and reduce logistics costs in international trade in order to compete in a difficult post-crisis economic environment in Asia. Verification of import and export requirements (VIER), such as quarantine and licenses, was performed by various government agencies. In the mid-1990's, these costs accounted for over 15% of Korea's GDP, while this figure for the US was 10.5% and for Japan 8.8%.²⁹ Thus the goal of reducing these costs emerged as a national priority in an effort to strengthen Korea's economic competitiveness.

3.3b Customs goes online

In November 1998, in an effort to improve customer service and increase customs transparency, KCS launched its first Web page. The site gave all public users free access to information on import/export procedures, customs law, administrative arrangements, commodity classifications, and tariff rates. The KCS home page also supplied data on trade statistics, valuation of goods, as well as on exemptions, prohibitions and restrictions of the clearance process. The Web site offered importers the ability to transmit their opinions and the needs of clients to customs administration. All customers also received an option to submit personalized questions via the Web interface, a feature that guaranteed first-hand answers from customs officials within a maximum of 3 days. Starting in August 1999, KCS offered an option of e-mail notice of cargo arrival to all the importers. This free service enabled importers to receive cargo declaration information from the shipping companies as soon as it was received by KCS, often long before the shipping companies would notify the importers themselves.

²⁹ Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p.59

3.3c Import cargo clearance

At the next stage of KCS technology program, customs launched the import cargo clearance system—one of the innovations most expected by the business community. The system provided online information about cargo clearance process and allowed importers to check the location and status of their goods and track the applied customs procedures. For this purpose, the system used cargo declaration data (manifest data) that were electronically transmitted by the shipping companies or airlines to the Independent Manifest Consolidation system (MFCS).

However, despite obvious benefits to private sector, the import cargo clearance initiative met several obstacles. First, the airlines that did not use UN/EDIFACT (United Nations/Electronic Data Interchange for Administration, Commerce and Transport) objected to the new arrangement. This issue was resolved by automatically transforming the data used by airlines into the UN/EDIFACT format within the MFCS. Also, airlines and shipping companies managed their cargo through a master bill of lading. This fact made it difficult to identify less-than-container loads of cargo. Therefore, it was decided that each issuing agent should transmit its own cargo data to the MFCS independently.

By introducing the import cargo clearance system all cargo data can be captured at one point and make them available for use by all related parties, including customs brokers, warehouse managers, customs transit operators and others. This free service not only helped save labor costs but also improved the transparency of the customs process by providing coordinated information in real time. According to a KCS survey, 54% of over three thousand respondents identified the import cargo clearance system as the most valuable feature of the KCS technology initiative³⁰.

3.3d Paperless import clearance

Spurred by the success of the online initiative, KCS made further efforts to improve customs transparency. In order to simplify its import clearance procedures and expedite the logistics flow, in July 1999 KCS began to operate the Paperless Import Clearance System. Under this system, 19 government agencies and 48 organizations, such as industry associations and national institutes of plant and veterinary quarantine, were interlinked in an electronic network. All required documentation, including inspection certificates and approval papers, was standardized in electronic format.

In the past, importers spent significant time preparing and submitting paper documents to the governmental agencies for a license and approval. The introduction of the paperless clearance system reduced the time from the submission of a declaration to acceptance by relevant authorities from 2 hours and 50 minutes to only 45 minutes.³¹ The new system was welcomed by the business community and became a customary procedure for over 90% of all Korean imports³².

³⁰ Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p. 74

³¹ *Korea's Recent Efforts to Streamline the Customs Clearance System*, Country Report, World Trade Organization, June 2000, p. 3

³² Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p. 78

3.3e Application tracking

In June 2001, in an effort to corroborate its commitment to fully transparent trade procedures, Korean customs opened to the public its decision-making process on 18 types of applications. These types of applications were selected on the basis of three criteria: priority for tracking of manually processed procedures, workload of customs officers, and volume of a particular type of applications. Tracking procedures were linked to the KCS Web page, enabling the applicants to receive information about the officers handling and reviewing the application, reasons for delays, and expected approvals times.

However desirable, introduction of the system met a few stumbling blocks. First, customs officers objected to inputting tracking data at every stage of the decision-making process. To address these concerns, KCS committed to automating all procedures. Second, some applicants expressed concerns about the privacy of their applications. Customs responded by reviewing sensitive issues before releasing them to the public.

As a result of implementing decision-making tracking, all involved parties received free real-time access to tracking 18 types of applications, which increased the credibility of KCS, reduced delays and non-compliance, and provided further incentives for customs officials to act promptly and professionally.³³ Also, application tracking eliminated the need for an applicant to visit customs or call customs inspectors to check on the status of the application. This not only ensured higher quality of customer service but also reduced the number of calls and visits to the customs, allowing officers to concentrate on the business at hand. Moreover, application tracking allowed customs managers to compare average transaction time by an inspector, section or the entire house. These data could be used to identify bottlenecks and further improve the speed and quality of service.

Despite the improvements in the efficiency of Korean customs, verification of import and export requirements (VIER), a pre-customs clearance operation performed by other government agencies, created a bottleneck in international trade. This stage remained the most time consuming. It usually took about one week to confirm the requirements, while average time for customs clearance was reduced to 3 hours. In 1997, imports and exports to be verified accounted for 21% or 1.6 million cases of all declarations filed with the KCS.³⁴

As the VIER process was not under customs control, importers themselves had to acquire the necessary licenses and permits to file customs declarations. However, Korea's legislation allowed customs to decide which goods needed to be processed with the VIER and how these requirements had to be confirmed. Recognizing importers' concerns about the VIER, Korean customs identified three major tasks for improving this procedure: Reducing red tape, guaranteeing transparency in VIER regulations, and speeding up the verification process.

KCS developed a three-step program to deal with each of the identified tasks. Every stage of the program addressed a separate issue and had a set goal: Reduce the number of goods

³³ Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p. 75

³⁴ Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p.59-60

subject to VIER, improve VIER transparency, establish computer networking between customs and VIER agencies to facilitate confirmation process.

3.3f Reducing the number of goods subject to import/export requirements (IER)

To streamline import clearance, Korean customs decided to abolish verification requirements at clearance stage for all goods except those that could not be returned to their original condition after clearance or those that could do harm to the society before being returned. After setting this standard, KCS launched a program to select the redundant verification processes according to 4 criteria: Vague import requirements that resulted in persistent complaints from the importers, import requirements that were checked after clearance, requirements that could be instantly satisfied by merely filing an application with the related agency, requirements that were set simply to levy fees and charges by other agencies.

As a result, confirmation of goods related to 16 laws, including the Electricity and Communication Act, the Quality Management Promotion Act and Electric Wave Act, was entirely abolished. The number of goods subject to VIER was reduced from 6,316 to 4,486.³⁵ In order to ensure efficient control over the excluded items, KCS connected its computers to those in VIER agencies, enabling their personnel to track customs clearance information in real time.

3.3g Re-classification of goods subject to VIER

In the past, stipulations as to whether goods were subject to VIER were often vaguely defined by government agencies. For example, regulations aimed at preventing imports of infected meat did not specify the degree of processing of meat products that were subject to verification. To clarify the verification requirements, KCS consulted 19 trade-related agencies to develop an objective system for identification of goods subject to VIER.

As a result of these efforts, KCS established a database that screened goods based on a 10-digit code, determined whether they were subject to verification, and matched them with specific requirements. This innovation allowed the traders to unequivocally determine whether their goods were subject to verification requirements and to plan their shipping schedules accordingly.

3.3h Establishing a network among government agencies

Until the late 1990's, customs did not have a common computer network with governmental agencies in charge of VIER permissions, a situation that created obstacles for data interchange and caused inefficiencies for traders. Also, all customs clients had to attach supporting documents, such as permissions and licenses, in a hard copy. To develop a technological and infrastructure solution for this problem, Korean customs formed a task force comprised of customs officials, outside consultants and experts under the command of the Director General of Clearance Facilitation Bureau.

³⁵ Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p.62

At the first stage of the network development, KCS surveyed the IT infrastructure of other agencies and checked whether those agencies intended to join the network. To avoid duplicative investments, Korean customs developed the software and distributed it free of charge. As a result, the total cost of the network was limited to only \$77,000.³⁶ At the second stage of the project, KCS developed the standard Electronic Data Interchange (EDI) message used for communication throughout the network. KCS surveyed different fields of description and specification required by each document and put them together in a single unified format.

As a result of this initiative, 43 customs houses in Korea and 64 government agencies were incorporated into a common network. This enabled customs officials to check online all import/export requirements during the clearance process. Also, traders received an opportunity to attach all supporting documentation in electronic format from their own computers, a procedure that significantly simplified and expedited customs clearance.

3.3i Summary

Technological, logistical and regulatory initiatives undertaken in Korea in late 1990's significantly improved conditions for international trade in the region. KCS became the first Korean central government agency and the first customs in the world to make its decision-making process open to the public via a real-time Web interface.

Such commitment to transparency resulted in higher quality of service to traders, increased efficiency within the customs, and improved credibility of customs organization. In a survey of customer satisfaction conducted by an independent research institute in 2000, KCS earned 67.4 points, well above the average customer satisfaction level for government agencies as a whole, which stood at 62.3 points.³⁷

The beneficial impact of the program is also evident in the popularity of the KCS Web site in the trading community. Since KCS launched its Web page in 1998, the number of visitors grew from 40 thousand in 1998 to 2.5 million as of mid-2001.³⁸ On average, over 11,000 individuals visit the KCS on a daily basis to obtain information on the customs clearance process. Reliance on technology saves customs resources that would have to be spent on addressing these requests via telephone or personal consultations. For example, even if all these 11 thousand daily inquiries could be handled via telephone and even if the average length of the conversation did not exceed 3 minutes, customs would have to spend over 200 thousand hours per year to address these requests!

Korea was the first economy in the world to incorporate its customs and verification agencies into a common network. This system allowed KCS confirmation of over 98% of the VIER via the network.³⁹ As a result, the average time required for cargo clearance from the point of arrival in port to full release was reduced from 14.9 to 8.9 days, saving over \$308 million in logistics costs.⁴⁰ Reform of the regulation requirements abolished verification

³⁶ Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p.64

³⁷ Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p. 81

³⁸ Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p. 81

³⁹ Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p.63

⁴⁰ Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p.65

procedures on 52% (or 700 thousand cases) of imports and 320 thousand cases of exports per year.⁴¹

Finally, the positive effect of all these efforts on trade flow was recognized by “This Year’s Best Practice Award” that Korea received from the Office for Government Policy Coordination in March 1999.⁴²

3.3j Lessons Learned

Korea had to overcome numerous obstacles to facilitate international trade. Problems included opposition of government agencies to simplification in import verification requirements to lack of support on the part of policymakers. However, Korean customs modernization projects indicate the value of creativity and persistence.

One of the crucial factors for the success of the reform was the ability to attract the interest of policy makers in reform. A presentation of KCS Commissioner about the trade reform at the Conference on the Export Promoting Programs encouraged cooperation of the heads of Ministries of Commerce, Industry, and Energy. The key to gathering this support was the emphasis on strengthening competitiveness of Korean businesses by implementing paperless import clearance and other measures facilitating customs clearance.

A key factor in engaging government agencies was the demonstration of synergies between reduced logistics costs in Korean private sector. In addition, KCS funded most of the costs associated with creating the network of trade-related agencies. The ability of KCS to develop the software and guarantee technical support free of charge greatly broadened the scope of the network, and reduced the total cost of the project by avoiding duplicate investments on the part of all agencies.

3.4 Summary Observations From These Case Studies

These case studies demonstrate that overcoming obstacles to trade facilitation and gathering the support of all parties requires emphasis on benefits specific to the interested party. All these individual benefits, however, add up to produce a national effect, benefiting not only the domestic economy but also other economies involved in international trade.

Successful cases outlined above provide evidence that trade facilitation reform can be effective. Some policy makers resist reducing barriers to trade, fearing that this will impede compliance with national regulations. Examples from Chinese Taipei and Peru explicitly demonstrate that an economy can increase its customs revenue, improve standards compliance, and facilitate trade at the same time. In addition, government officials often argue against trade reform on the basis of the unfavorable economic and political climate. The example of Peru shows that significant improvements in trade and investment climates within a short period of time are possible. Another common argument against reform is the lack of financial resources by local governments. As indicated in the case of Chinese Taipei customs, an effective way to harness additional resources is to expand cooperation between government agencies and private sector, thus leveraging the vast corporate infrastructure.

⁴¹ Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p.65

⁴² Inter-American Development Bank *Customs Best Practices in East Asia and Latin America*. 2001, p.67

Finally, some policy makers posit that their regulatory requirements are unique and tailored to the specifics of their economies. Failure to align national standards with international standards can lead to significant inefficiencies in international trade. The case in Peru shows that uniformity in trade regulations promotes trade and results in economic benefits for all economies involved in trade.

As indicated in these three cases, advancing e-commerce can revolutionize the trade process and should be regarded as one of the key factors in trade facilitation. Another powerful resource for expediting customs clearance is risk management, which depends on the effective use of networked information technologies. Properly employed risk management techniques simultaneously speed up customs clearance, ensure compliance, and save customs resources.

Finally, any effective trade reform should have political support from government officials and a strong management team capable of realizing the changes and confronting the opposition.

4. Pilot Projects in Technical Assistance

Based on the analysis of the regression output and enlightened by the lessons from the case studies, we proceed to consider how the gravity model can be used to inform policy makers and donor agencies on appropriate pilot projects, including capacity building, for APEC member economies.

4.1 A Practical Scenario and Results for APEC

As discussed earlier, a standard approach to running model scenarios is to “shock” a particular variable by the same percent for each economy in the sample. We choose a more practical scenario, that of calculating the increase in trade that would be associated with bringing those APEC members with trade facilitation measures below the APEC average half-way up to the APEC average. Our scenarios are designed for the practical purposes of assisting in the choice of pilot projects and capacity building.

We choose the metric of bringing the below average members *half-way* to the APEC average because there are limited development resources and improvements take time. Dramatic improvements are possible, but it is not realistic to presume a scenario whereby all APEC members are assumed to achieve best practice as measured by the APEC member with the highest score on a particular measure of trade facilitation. Nor, as discussed before does it make sense to presume a scenario whereby all APEC members improve in a specific area of trade facilitation by some X percent.

We will run a scenario given this rule (bring the below-APEC-average members half-way to the initial APEC-average) for ‘port logistics,’ ‘standards harmonization,’ ‘e-business usage,’ and ‘administrative transparency and professionalism’. As background for these scenarios, Table 4.1 gives the range of values for these trade facilitation indicators, as well as the economy that represents “best practice” and therefore whose indicator value is greatest. It is worthwhile to note that the ‘best practice’ economy is not the same for all of the trade facilitation measures considered. Second, it is worthwhile to note that the range between lowest value and highest value is greatest for standards harmonization and narrowest for port logistics.

Table 4.1: Overview of Range of Trade Facilitation Indicators

Trade Facilitation Measures		
	Best Practice	Range
Port Logistics	SGP	0.685-1.41
Harmonization of Standards	KOR	0.188-1.79
Transparency & Professionalism	SGP	0.34-1.59
E-business	USA	0.46-1.68

Table 4.2 Overview of Simulation: Half-way to APEC Average

Intra-APEC Trade					
	Manufactured Goods		Agriculture & Raw Mats		Total Exports
	\$billion	% increase	\$billion	% increase	\$ billion
Port Logistics	141.27	11.69	13.82	9.78	155.10
Harmonization of Standards	74.76	6.19	5.34	3.78	80.10
Transparency & Professionalism	27.92	2.31	na	na	27.92
E-business	12.30	1.02	4.00	2.83	16.31
Total	256.26		23.17		279.42

Table 4.2 summarizes the results for the scenarios whereby the below-average APEC members are brought half-way up to the initial APEC average for each of the four indicators under consideration. Table 4.2 presents the simulations as the first perspective of considering the results of the scenarios—that of APEC as a whole. The second perspective of the simulations – that of individual APEC members as exporters to all of APEC, is presented in overview below, and in detail in the tables in Appendix C.

- In total, for APEC as a whole, the collection of scenarios yield an increase in intra-APEC trade worth about \$280 billion dollars; about half of that gain comes from the improvement in ‘port logistics’ and manufactured goods trade. This represents an increase of about 10 percent in total intra-APEC trade.
- The large increase in intra-APEC trade derived from improved ‘port logistics’ is partly because of the high elasticity of trade with respect to port logistics (3.8 for agriculture and raw materials and 5.2 for manufactured goods; see Table 2.5), and partly because economies such as Mexico and particularly China are very large intra-APEC traders and have much room for improvement in the area of port logistics. (See Appendix C tables “Half-way to APEC-Average” for scenario details for each APEC member as an exporter to APEC.) In terms of the distribution of the export gains, large APEC exporters such as the US, Japan, and Korea would see the greatest increase in dollar terms (\$46 billion, \$38 billion, and \$11 billion respectively). But many APEC economies (Russia, Hong Kong, China; Chile, Chinese Taipei,) would see large double-digit increase in exports to the APEC region (44%, 34%, 22%, 18%, respectively.)
- Raising the indicator ‘standards harmonization’ for the below-average APEC members half-way to the APEC average could increase intra-APEC trade by some \$80 billion, mostly coming from increased manufactured goods trade.
- A scenario whereby ‘administrative transparency and professionalism’ of the below-average APEC members is raised half-way to the APEC average could yield an increase in intra-APEC trade of about \$28 billion.
- With respect to e-business usage, the gain to improving the below-average APEC members half-way to the APEC average could increase trade by some \$16 billion.

Based on these scenarios, the attention paid in APEC on port logistics is well founded. According to these scenarios, improvements to port logistics by below-average APEC members

could have the greatest impact on intra-APEC trade. On the other hand, based on the overview of the trade facilitation measures (Table 4.1) the *room for improvement* is smallest for port logistics. That is, the range of the port logistics indicator from best practice to worst practice is smallest among the four trade facilitation measures that are the focus of this analysis. Hence, there may be some economies where port logistics is not the principal bottleneck to trade.

4.2 Simulations to Inform Pilot Projects and Capacity Building: Individual Members

Economy-specific output of the simulations may help inform policymakers in an APEC economy of those areas of improvement in trade facilitation that could rebound to greatest increase in trade for individual economies. For this, we examine the APEC members as importers—this is the third perspective for how to use the results of the scenarios. As discussed, the metric to determine which trade facilitation area would yield the greatest improvement to the domestic economy is in that trade facilitation area where simulation yields the greatest increase in imports for an economy.

Tables 4.3-4.6 show the results for each of the four scenarios for selected APEC members for manufactured goods trade. Only the APEC members that are suggested by the indicators to be below the APEC average and therefore, under the rule of the scenario, are brought half-way up to the APEC average for the indicator, are shown, along with the increase in imports for each of these economies that would result from the improvement in trade facilitation. As discussed earlier, these dollar figures represent potential gains in efficiencies in the usage of imports for domestic producers and consumers and as inputs for exporters. The economies in the tables are ordered from those with indicators closest to the APEC average at the top of the list to those economies whose indicator of trade facilitation is furthest away from the APEC average at the bottom of the list.

What value do these tables offer to policy makers to consider pilot projects and capacity building? The key is to compare, for an APEC member, the increase in imports resulting from one versus another improved trade facilitation scenario. For example, in Peru, whose port logistics indicator is near the lowest among APEC members, an improvement half-way up to the APEC average would increase imports by about \$2.7 billion (manufactured goods plus agriculture and raw materials). An improvement in its standards harmonization indicator would increase imports by some \$1.5 billion. Given limited resources, these results might suggest that Peru should focus on port logistics. But the gains to addressing improvements in standards harmonization are quite real too. Another example is Indonesia. An efficiency gain of some \$10.8 billion might come from improved port logistics, but increased efficiency worth about \$3.5 billion from increased transparency and professionalism and about \$2.3 for standards harmonization suggests that these are areas could be a focus for projects as well.

The value of these specific comparisons shows up when a member has rather different opportunities for improvement in the different trade facilitation areas. For an economy such as Thailand, whose port logistics indicator is just a bit below the APEC average, even a small improvement would yield an increase in imports of \$5.8 billion. But, an improvement in standards harmonization, where the indicator is about in the lower third among APEC members, would increase imports about \$9.0 billion. A similar story appears to be the case for Russia. An improvement in port logistics would increase imports about \$5.4, but an improvement in standards harmonization could yield \$6.3 billion. Thus, Thailand and Russia might get greater efficiency gains from spending resources on standards harmonization rather than port logistics.

In no way, however, should these results be the only factor determining pilot projects or capacity building. These results only offer an additional perspective to policymakers, the donor community, and the private sector to aid in decision-making.

Tables 4.3, 4.4: Port Logistics and Standards Harmonization: Manufactured Goods

Port Logistics				
	Trade Facilitation		Scenario results	
	Indicator		Imports change	
	improved	initial	\$ billion	%
THA	0.967	0.934	5.492	18.6
KOR	0.966	0.933	9.903	18.9
CHL	0.954	0.908	1.377	26.4
MEX	0.926	0.852	27.638	45.3
IDN	0.903	0.806	9.498	62.7
RUS	0.871	0.742	4.055	90.9
CHN	0.87	0.739	66.623	92.1
VNM	0.857	0.714	no import data	
PER	0.841	0.681	2.345	100
PHL	0.829	0.658	14.34	100
Total			141.271	11.69

Standards Harmonization				
	Trade Facilitation		Scenario results	
	Indicator		Imports change	
	improved	initial	\$ billion	%
CHN	0.941	0.941	0.009	0
USA	0.921	0.901	7.158	1.7
NZL	0.921	0.901	0.118	1.7
SGP	0.921	0.901	1.08	1.7
CHL	0.827	0.713	0.639	12.2
IDN	0.816	0.691	2.095	13.8
THA	0.738	0.536	8.55	28.9
HKG	0.694	0.448	49.308	42.1
PER	0.659	0.376	1.346	57.4
VNM	0.565	0.188	no import data	
RUS	0.565	0.188	4.458	100
Total			230.372	6.19

Table 4.4, 4.5: Adm. Transparency and Professionalism and E-Business Usage: Manufactured Goods

Adm. Transparency & Professionalism				
	Trade		Scenario	
	improve	initial	Imports	
			\$ billion	%
CHN	0.91	0.84	2.73	3.8
PER	0.89	0.81	0.11	4.8
KOR	0.89	0.80	2.67	5.1
THA	0.79	0.60	4.26	14.4
PHI	0.78	0.59	2.14	1.5
VN	0.77	0.57	no import	
MEX	0.77	0.55	10.62	17.4
IDN	0.73	0.49	3.45	22.8
RUS	0.66	0.34	1.89	42.5
Tota			27.92	2.31

E-business Usage				
	Trade		Scenario	
	improve	initial	Imports	
			\$ billion	%
NZL	0.97	0.95	0.05	0.7
JPN	0.96	0.93	1.09	1
PHI	0.94	0.88	0.26	1.8
IDN	0.92	0.85	0.36	2.4
MY	0.90	0.80	1.26	3.3
CHI	0.89	0.79	0.18	3.6
MEX	0.82	0.64	4.74	7.8
THA	0.76	0.53	3.58	12.1
RUS	0.73	0.46	0.73	16.5
Tota			56.20	4.391

5. APEC's Work Program in Trade Facilitation: Review and Assessment

The empirical analysis presented above, the choice of case study examples, and the scenarios have not proceeded in a vacuum with respect to the reality of trade facilitation interests and efforts within APEC. Indeed, it has proceeded with close attention to the concepts of trade facilitation within APEC, as well as endeavoring to employ APEC's own indicators of process when possible. It is worthwhile to present more fully the institutional framework for trade facilitation within APEC to give a rounded picture of this complex topic.

Trade Facilitation has been an important part of APEC's agenda since the beginning of the regional forum in 1989. All APEC Leaders' statements have emphasized the importance of trade facilitation and this agenda has evolved, matured, and extended to other areas. The 1994 Bogor Declaration, for example, emphasized:

“the importance of trade facilitation because trade liberalization efforts alone are insufficient to generate trade expansion. Efforts at facilitating trade are important if the benefits of trade are to be truly enjoyed by both business and consumers. Trade facilitation has also a pertinent role in furthering our goal of achieving the fullest liberalization within the global context” (paragraph 7)

The call for concerted action in trade facilitation, however, was not received until Osaka in 1995 when APEC Economic Leaders identified trade and investment facilitation as one of three pillars for APEC's future work program. In addition to setting out principles under which facilitation initiatives would be undertaken,⁴³ the Osaka Action Agenda (OAA) also established Collective Action Plans (CAPs) and Individual Action Plans (IAPs) in fifteen areas, three of which may be considered as “core” facilitation areas. These are: Standards and Conformance, Customs Procedures, and Mobility of Business People. Further, other areas included significant facilitation objectives, including in: non-tariff measures, services, deregulation, and rules of origin.⁴⁴ Therefore, the mandate for implementing the facilitation objectives of the OAA was assigned to numerous APEC forums and dealt with a wide range of issues.

The first results from the OAA came to fruition in 1996 when Leaders agreed to harmonize tariff nomenclatures by end 1996 and customs clearance procedures by 1998 (para. 9 in Manila Declaration). In 1996, the APEC Business Advisory Council (ABAC) was also organized and started the process of highlighting the importance of mobility of business people and alignment of professional standards for businesses in the region.

Subsequent Leaders meetings and declarations have continued to highlight various APEC achievements and set new objectives and principles for APEC. For example, the Kuala Lumpur Leaders' Declaration of 1998 welcomed APEC's achievement in the area of mobility of business people through the APEC Business Travel Card scheme and the collective commitment to expand multiple entry visas for business travellers. The Bandar Seri Begawan Declaration of

⁴³These principles were: Comprehensiveness; WTO Consistency; Comparability; Non-discrimination; Transparency; Standstill; Simultaneous Start, Continuous Process, and Differentiated Time Tables; Flexibility; and Cooperation.

⁴⁴ For example, in the Telecommunications and Transportation sectors (within the Services area), collective action was envisaged in the OAA to implement Mutual Recognition Arrangements on conformity assessments and road vehicles. Another example is in rules of origin where collective actions were envisaged to accelerate World Trade Organization/World Customs Organization work on harmonization of non-preferential rules of origin.

2000 mandated the production of APEC's Trade Facilitation Principles and asked officials to address trade facilitation in an integrated way to reduce business costs in the region (paragraph 35). These principles were advanced in 2001.

The Shanghai Leaders' Declaration of 2001 sets an ambitious new benchmark for undertaking future facilitation activity in APEC. The Shanghai Declaration states:

“Leaders instruct Ministers to identify, by Ministerial Meeting in 2002, concrete actions and measures to implement the APEC Trade Facilitation Principles by 2006 in close partnership with the private sector. The objective is to realize a significant reduction in the transaction costs by endeavoring to reduce them by 5% across the APEC region over the next 5 years. Leaders also instruct Ministers to explore the possibility of setting objective criteria on trade facilitation, taking fully into account the diversity among the members as well as progress achieved in respective economies so far. Leaders also agree that assistance programs to help build the capacity of developing economies in trade facilitation is particularly important”.

5.1 Looking Back and Moving Forward

Reducing transaction costs by 5% over the next 5 years in APEC could be the objective benchmark against which *all* future APEC technical cooperation activity in trade facilitation is evaluated. This transaction cost approach also appeals to businesses because “it treats the trade process in its entirety rather than as discrete, self-contained elements such as customs procedures, standards, and technical regulations, etc.” [Woo, et al. (2000): pp.7].

In this context, APEC's trade facilitation work program is important, its scope wide ranging, and its task difficult. In providing an assessment of APEC's past work on trade facilitation, we try to answer some key questions:

- To what extent have APEC's facilitation objectives been met by activities undertaken in APEC forums or by policy actions of individual APEC Members?
- Under which forums are facilitation activities being mounted? What are the past trends in these activities? What were the approaches to APEC facilitation projects?

This section offers possible ways for how APEC could fine-tune its existing work program to build capacities of developing APEC Members. In as far as APEC would like to engage in such capacity building efforts, the greatest benefits in terms of the resulting reduction in transaction costs (at the margins) will occur in developing APEC Members, as is corroborated by the estimation and scenarios.

In offering recommendations, we attempt to answer the following questions:

- What are the institutional innovations that would enable a more integrated approach to facilitation within APEC?
- How can APEC leverage its technical cooperation efforts to gain greater support of bilateral and multilateral development agencies for trade facilitation?

The remaining sections are organized as follows. In section 5.2, we review and assess past work by APEC in trade facilitation.⁴⁵ Here, we focus on three areas. First, we provide an assessment of the extent to which developing APEC Members' IAPs conform to their CAP commitments (section 2.2).⁴⁶ In doing so, we draw on work done by the Asia Pacific Foundation of Canada in 1999/2000 on the conformance of IAPs to CAPs. While this work is dated, it nevertheless provides the most comprehensive and independent review of progress in this area.

Second, we provide an overview and assessment of projects undertaken through APEC as an institution in the trade facilitation area until March 2002 (section 5.3). Our main source of reference here is APEC's Project Database—a comprehensive online database of project activities being undertaken by APEC fora. Finally, we provide a mapping of CAP objectives to APEC projects in order to provide an assessment of the type of CAP goals that are best suited to technical cooperation and/or capacity-building initiatives (section 5.4). Based on this analysis, in section 5.5 we provide recommendations on future directions for a coordinated trade facilitation capacity building program for APEC.

5.2 APEC's Involvement in Trade Facilitation

We found that work in implementing the facilitation aspects of the OAA are driven by collective efforts and initiatives by individual economies to implement their CAP commitments. This implementation effort has taken three important directions.

First are the collective policy actions of APEC Members taken to implement CAP goals. An excellent review of these policy actions is provided by Annual Reports of the Committee on Trade and Investment (CTI) to APEC Ministers. This section does not provide a review of all CAP policy initiatives undertaken by APEC's membership since 1995 in the facilitation area nor does it review progress in achieving the CAP goals set out under the OAA.

However, it is important to say that one of the important *outcomes* of APEC work on CAP policy initiatives is the worthwhile policy coordination that takes place within its committees, sub-committees, and working groups [see Elek (2000): pp. 7 & 16]. APEC's working groups and sub-committees provide a cost-effective way of sharing information and expertise across the region that, when put together, contributes to a firm commitment to trade liberalization and facilitation in the region. This policy coordination function has led to tangible benefits. For example, APEC can claim important accomplishments in facilitation such as the 1997 "Blueprint for APEC Customs Modernization: Working with Businesses for a Faster, Better Border", the APEC Business Travel Card scheme, more rapid information exchange on regional certification requirements, and the APEC Mutual Recognition Arrangement (MRA) for Conformity Assessment of Telecommunications Equipment [see Woo and Wilson (2000)].

⁴⁵ We do not focus on the collective actions by APEC Members. For an excellent annual review of these actions, the reader is referred to the various Annual Reports of the CTI to Ministers. See, <http://www.apecsec.org.sg/>.

⁴⁶ We use the classification of the World Bank in its *Global Economic Prospects 2002*. Eight APEC Members were covered in the low- and lower-middle income range. Low Income APEC Members are: Indonesia and Vietnam; Lower Middle Income APEC Members are: People's Republic of China, Papua New Guinea, Peru, Philippines, Russian Federation, and Thailand. Henceforth, we use the term "developing APEC Members" to refer to these eight APEC Members. We use the term "developed APEC Members" for APEC economies with per capita incomes in the Upper Middle Income and High Income range (as classified by the World Bank). These economies are: Australia, Brunei Darussalam, Canada, Chile, Hong Kong, China; Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Singapore, Chinese Taipei, and the United States.

5.3 Individual Action Plans (IAPs) of APEC Members

Initiatives taken by each APEC Member in the form of Individual Action Plans (IAPs) form the second important direction of implementing CAP goals. An independent assessment of IAPs was commissioned by APEC Senior Officials in January 1999 and conducted by the Pacific Economic Cooperation Council [see PECC (1999)]. For the three core facilitation areas, it was found that the extent of commitments made in IAPs and progress toward meeting CAP goals was mixed with the greatest success being achieved in the Customs Procedures area.

Appendix D Tables A1-A3 track progress in these core facilitation areas by comparing what developing APEC Members have pledged to do, as outlined in their CAP commitments, with what they have actually accomplished as stated in the Standards and Conformance, Customs, and Business Mobility sections of their respective 1999 IAPs [see Asia Pacific Foundation of Canada (1999a, 1999b, and 2000) for complete reports].⁴⁷

5.3a Standards & Conformance in IAPs

Appendix D Table A1 shows the aggregate results for CAP goals in the Standards and Conformance area for seven developing APEC Members submitting IAPs in 1999. We found that in 60% of the cases, developing APEC Members' IAPs did not provide information about particular CAP objectives in the Standards and Conformance area.⁴⁸ Another interesting result is that 5 out of 7 developing APEC Members indicated that they were continuing to identify additional priority areas for alignment with international standards (refer to shaded boxes in Table D1). Further, 6 out of 7 developing APEC Members indicated in their 1999 IAPs that they are working on developing bilateral, multi-sectoral, and plurilateral Mutual Recognition Arrangements (MRAs).

Perhaps most significantly from a technical cooperation and capacity building perspective, 5 out of 7 developing APEC Members did not provide information that identified their specific requirements in terms of technical infrastructure development (shaded). Amongst developed APEC Members, only 6 out of 13 Members provided information on the type of assistance they are providing to improve the technical infrastructure of other APEC Members. Finally, all 21 APEC Members thought that conducting a mid-term Technical Infrastructure Development review was "not applicable" to them in 1999.

Three caveats need to be kept in mind before drawing conclusions on the low compliance level amongst developing APEC Members in the Standards and Conformance area. First, our 1999 study did not include CAP objectives that were officially designated as "completed" by the Sub Committee on Standards and Conformance (SCSC). Second, the work program of the SCSC is ambitious, and covers much ground in the admittedly vast area of standards. Third, for the "No Information" and "Not Applicable" columns of Table D1, a large number of those actions planned to begin in 1999 are left unmentioned in most, if not all, IAPs. This is most likely due to the fact that the 1999 IAPs were unable to reflect any progress made, since in many cases, work within APEC began in 1999 itself.

⁴⁷ The information in Annex Tables A1-A3 is dated for the IAPs in 1999. Nevertheless, it provides the most comprehensive and independent information on the compliance of IAPs with CAPs. Updating these reports was not within the TORs of this study.

⁴⁸ This can be compared with 48% of the cases when developed APEC Members' IAPs did not provide information about particular CAP objectives in the Standards and Conformance area.

Still, the fact that 5 out of 7 developing APEC Members did not provide any information identifying their technical infrastructure requirements (which was a CAP goal since 1996) shows that these economies may need technical cooperation in simply identifying what their technical infrastructure needs in the Standards and Conformance area might be. This needs assessment is a two-way street since only 6 out of 13 developed APEC Members provided information on what they had to offer in terms of technical cooperation activities in the Standards and Conformance area for infrastructure development.

This need for greater information sharing and technical cooperation is reinforced by the fact that in 60% of the cases, developing APEC Members did not include information in their IAPs about a particular CAP goal. In many ways, this is a much weaker reporting requirement of developing APEC Members, since it only requires information on the current status of their efforts to meet CAP goals (however minimal these may be). Clearly, finding out why IAP reporting of developing APEC Members was weak (whether for administrative reasons, coordination between government ministries, or simply low priority placed on CAP reporting, etc.) could be a productive engagement for APEC. This could be followed through with a more basic area of assistance to help developing APEC Members compile information on efforts already underway within their economies for achieving particular CAP goals.

Finally, since 1999, new innovations have been made by APEC Members to ensure a more transparent and credible IAP reporting systems. First is the e-IAP initiative that has greatly improved transparency of IAPs and allowed researchers to analyse their conformance to CAPs and the Bogor goals. Second, are independent peer reviews of IAPs. These reviews of developing APEC Members' IAPs should greatly improve the quality of information available about the technical cooperation and capacity-building needs of these economies.

Although received too late for consideration in this study, we present without comments in Appendix C the "Review of VAP for Alignment of Standards with International Standards" dated August 14, 2002.

5.3b Customs Procedures in IAPs

Appendix D Table D1 provides a summary of the extent to which APEC Members' IAPs conformed with each of the 12 CAP goals set out in the Customs Procedures area in 1999.⁴⁹ Aggregating the performance of the 18 APEC Members who were part of the Sub-Committee on Customs Procedures (SCCP) CAP implementation schedule, in 66% of the cases member economies complied with a particular CAP objective, 25% of the cases they indicated that they were engaged in efforts to fulfill a particular CAP objective, and 8% of the cases member economies did not provide information about particular CAP objectives. In just 1% of cases, a particular CAP goal was not applicable to a member economy.

We find that with clearly delineated goals and a firm timeframe, the work program of the SCCP is arguably one of the most successful in APEC. The CAP goals have defined the process thus far, and appear to have been successful in fostering momentum in this area.

⁴⁹ Annex Table A2 illustrates only ten CAP goals. This is because all APEC members have implemented the two CAP goals concerning the HS Convention (1996) and Public Availability of Information (1998).

Nevertheless, the alignment of IAPs with CAP goals was sketchy for developing APEC Members. We classified the alignment of IAPs of 4 out of 6 developing APEC Members included in the Report as “poor” or “modest”. For example, the IAP/CAP alignment for Indonesia, Papua New Guinea, and Thailand was poor. All three IAPs were presented in a format inconsistent with the CAP, and there was little in the way of substantial explanation of plans to meet collective goals.

Technical Cooperation in improving IAPs of developing APEC Members would offer businesses and governments the opportunity to better formulate long-range business strategies and national policies, and would enable academics to review more easily the progress of Members towards the Bogor goals. While most of the SCCP goals that have been achieved seem to be fairly straightforward it would be prudent to make sure that there are no systems implementation or compliance issues which have yet to be dealt with. Of course, the entire area of customs reform, which falls under the rubric of wider civil service reform in developing APEC Members, is only marginally touched upon by APEC’s CAP goals.

5.3c Mobility of Business People in IAPs

Appendix D Table D2 provides results on progress toward achieving CAP goals in the Business Mobility area. We found that for the seven developing APEC Members that submitted IAPs in 1999, compliance with CAP goals was highlighted in only 8% of the cases in their IAPs. 80% of the time, the seven developing APEC Members did not provide any information in their IAPs on the extent to which they have complied with their CAP commitments. Significantly from a technical cooperation perspective, only one developed APEC Member (Chinese Taipei) provided some information on the technical cooperation it is undertaking in the area of travel documentation fraud.

The relative lack of information provided overall by APEC Members regarding business mobility may point to the fact that governments are failing to report on actual progress, or that they are placing a low priority on this area. Obviously, further efforts are needed in most areas listed in business mobility CAPs. As in the Standards and Conformance area, at the very least, Members could increase efforts to provide information on the current status of addressing their CAP commitments.

Most progress amongst developing APEC Members occurred in the Information Exchange CAP area. Specifically, 4 of the 7 developing APEC Members mentioned that they have completed (or are in the process of completing) a survey of their regulations and requirements relating to the temporary residency of business people. Despite this, in the 1999 IAPs no APEC Member—developing or developed—mentioned efforts in the CAP area of Cooperation in Temporary Residency Arrangements.

As for the OAA CAP area of Business Community Cooperation, only Indonesia indicated that it is making efforts to engage in dialogue with ABAC and business representatives on impediments to business mobility; other developing APEC Members provided no information on this CAP objective or on the CAP objective of encouraging feedback on the utility of the Business Travel Handbook.

Finally, the fact that only 1 out of 13 developed APEC Members had provided any information on the type of technical cooperation it had to offer in the travel documentation fraud area, suggests that there is a role for APEC to act as a clearinghouse that matches needs with technical cooperation on offer by APEC Members. The newly established independent IAP review process could be a first step in identifying the above problems.

5.4 APEC's Trade Facilitation Projects

This section provides an overview of projects undertaken through APEC *as an institution* in trade facilitation. In doing so, our main source of reference is APEC's Project Database—a comprehensive online database of project activities being undertaken by APEC fora.

Two caveats need to be kept in mind before interpreting the results that follow. First, we were limited by the allowed search criteria of the database. These included standard criteria such as implementing APEC forum, the type of funding available (TILF, Operational, or Self Funded), the Ecotech Initiative from which the project/activity emerged, etc. There were no criteria for placing projects in areas like “Standards and Conformance” or “Customs”. Therefore, for the purpose of this project, we developed our own classification of trade facilitation areas.⁵⁰

Second, there were no criteria available of easily used tools in the database to evaluate projects. This hinders an assessment of how projects might link with CAP goals and limits what we (or any other outside observer) can say about the types of projects that were effective in building capacities in APEC Members.

5.4a Characteristics of Funding

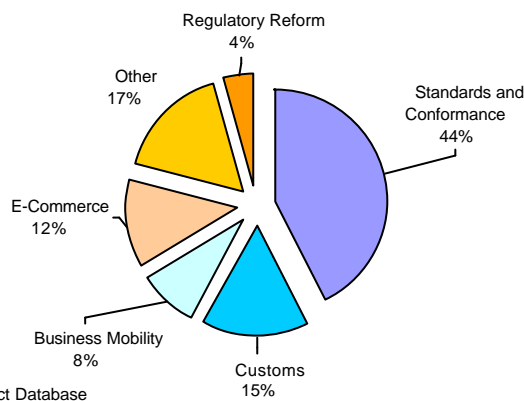
Since 1993, total spending on trade facilitation in APEC was US \$29.3 million. This represents 37% of total APEC project funding. In terms of number of projects, we identified 243 trade facilitation projects. Therefore, the average project value is about \$121,000. We also found that 45% of the projects we identified as trade facilitation projects were self-funded. TILF funding represented 41% of project budgets, while APEC's operational budget represented 14% of project funding. Figure 4 provides an outline of APEC Trade Facilitation activity by distinct category.

Keeping in line with the wide range of activities that fall under the Standards and Conformance rubric, 44% of expenditures and 41% of projects were conducted in this category. The next largest single category was customs—accounting for 15% of expenditures and 18% of projects. Perhaps a bit of a surprise was that the value of projects included under e-commerce was higher than business mobility, particularly because e-commerce is a relatively new priority for APEC.

⁵⁰ However, in reading the project details, we have made every effort to appropriately place projects in the relevant category.

All in all we can say that relative to activity undertaken by multilateral and bilateral development institutions, APEC's overall budget for facilitation was modest and widely distributed among various facilitation areas.

Figure 4: APEC Trade Facilitation Activity by Category



5.4b Project Funding Trends

In terms of annual disbursements, Figure 5 provides a picture of overall trends between 1993 and 2001. We find that since the OAA was launched in 1996, trade facilitation projects received increased funding with 1999 being the peak year. The decline in 2000 and 2001 is more due to the peculiarities of 1999 than any indication of reduced commitment by APEC. 74 trade facilitation projects were budgeted in 1999 (30% of all projects for the nine year period under study). These included some large projects such as the APEC Coordinating Centre for Good Clinical Practice project⁵¹ (\$1.1 million, self-funded); and the APEC Technomart III project⁵² (\$1.5 million, self-funded) under the Industrial Science and Technology Working Group, and the Training and Certification Program for Small Business Counsellors- Phase III⁵³ (\$1.6 million, partly TILF and partly self-funded) under the Ad Hoc Policy Level Group on Small and Medium Enterprises.

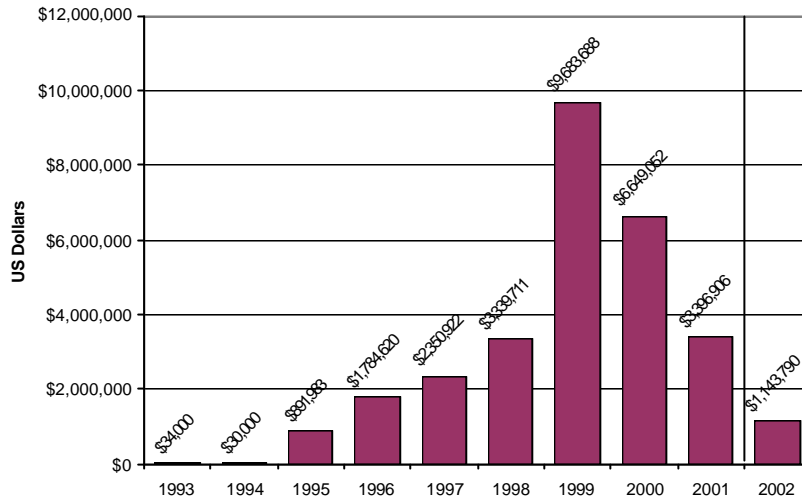
Therefore, we found that since 1993, there has been a steady increase in APEC funding for facilitation activity, not withstanding relative declines in funding in 2000 and 2001.

⁵¹ Project Number: IST 01/1999S recorded under Standards and Conformance.

⁵² Project Number: IST 04/1999S recorded under Business Mobility.

⁵³ Project Number: SME 02/1999T recorded under Other

Figure 5: APEC Trade Facilitation Annual Expenditures



Source: APEC Project Database

5.4c Implementing APEC Fora

In terms of implementing APEC fora, Table 6 shows that the largest source of funding for trade facilitation projects were the various Working and Experts groups, representing 57% of the \$29.3 million budgeted (shaded cells in column 7). These expenditures were distributed widely with the top three working groups being: Industrial Science & Technology Working Group (13% of APEC funding), the Marine Resources Conservation Working Group (9% of APEC funding), and the Transportation Working Group (8% of APEC funding). The Committee on Trade and Investment (CTI) accounted for 37% of APEC trade facilitation funding⁵⁴. This wide distribution of projects points toward the interrelated nature of trade facilitation issues and is an important factor to consider in formulating future capacity building programs in this area.

⁵⁴ Information on the disaggregated sub-committee level for the CTI was sporadic. However, we can say with a high degree of certainty that Customs-related projects and Standards and Conformance projects, if counted under CTI would most likely be undertaken by the SCCP and the SCSC, respectively.

Table 6: APEC Project Funding for Trade Facilitation

	Standards & Conformance (1)	Customs (2)	Business Mobility (3)	E-commerce (4)	Regulatory Reform (5)	Other (6)	Total (7)
Agri. Tech. Coop. Exp. Gr.	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%
Energy Working Gr.	4.3%	0.0%	0.0%	6.0%	14.0%	1.2%	3.4%
Finance Working Gr.	0.0%	0.0%	0.0%	0.0%	0.0%	4.8%	0.8%
Fisheries Working Gr.	4.8%	0.0%	0.0%	2.3%	0.0%	0.0%	2.3%
HRD Working Gr.	12.0%	0.0%	20.3%	1.6%	0.0%	3.3%	7.6%
Industrial S&T Working Gr.	16.5%	0.0%	60.6%	1.4%	4.1%	3.4%	13.1%
MRC Working Gr.	20.2%	0.0%	0.0%	0.0%	0.0%	0.0%	8.6%
Policy Group on SMEs	0.0%	0.0%	0.0%	7.9%	0.0%	32.0%	6.4%
Telecom. Working Gr.	5.0%	0.0%	0.0%	22.7%	5.6%	1.5%	5.4%
Transportation Working Gr.	2.5%	20.2%	2.8%	0.0%	28.2%	12.0%	7.6%
Tourism Working Gr.	0.0%	0.0%	2.0%	3.7%	0.0%	1.9%	1.0%
CTI	27.4%	79.8%	14.3%	46.2%	48.1%	24.0%	36.9%
Other	5.5%	0.0%	0.0%	8.2%	0.0%	15.8%	6.1%

Source: Calculations from APEC Project Database

Standards and Conformance issues received the widest coverage with most APEC fora undertaking some activity in this area (see shaded cells in column 1). While the CTI was the most important source of funding for Standards and Conformance related work (27% of all Standards and Conformance funding was sourced through the CTI); the Marine Resource Conservation Working Group (20%) and the Industrial Science and Technology Working Group (17%) also funded significant shares of Standards and Conformance related projects⁵⁵.

This diversity of funding may partly be a reflection of the complex nature of Standards and Conformance issues and the many sectors that it touches. However, as pointed out in section 2.2.1 above, the needs of APEC Members, especially developing APEC Members, are more basic—touching on needs assessments for technical infrastructure development.

In contrast to Standards and Conformance, Customs projects were undertaken in only two fora—the CTI (accounting for 80% of project funding) and the Transportation Working Group (20% of project funding, see shaded cells in column 2). This finding is not surprising since customs issues have a relatively well-established multilateral system of best practices (e.g., Kyoto Convention) that are recognized internationally and that provide a framework for undertaking project work. Further, APEC CAPs in the Customs area tend to be more specific with objective target tasks and dates. Therefore, we found that Customs-related projects fell to the two most obvious APEC fora that are closest to customs issues—the SCCP and the Transportation Working Group.

⁵⁵ In fact, the MRC, IST, and the HRD Working Groups undertook the top -three Standards and Conformance related projects. These were: Development and Validation of Phycotoxin Analytical Methods, Standards and Reference Materials for Seafood Product Certification and Safety (MRC 01/2000T, \$1.8 million); APEC Coordinating Centre for Good Clinical Practice (IST 01/1999S, \$1.1 million); and HRD for Enhancement of International Quality Assurance System (HRD 02/1996, \$1 million).

Another important finding was in the **business mobility** area (see shaded cell in column 3). Over 60% of project funding in this area came from the Industrial Science and Technology Working Group. This is because of one large project conducted by the IST Working Group—the APEC Technomart III for \$1.5 million which was a comprehensive program of seminars, workshops, business-matching programs, site visits and new technology demonstrations across a wide range of technological fields⁵⁶. Even if we exclude this project, however, we find that the HRD Working Group provided more funding to twice as many projects compared with projects sourced through the CTI.

Analysis of IAP/CAP conformance shows that APEC Members in general need to work harder in meeting CAP goals in particular business mobility areas and identifying the types of technical cooperation required/offered. Combine this with the fact that primary project funding on business mobility issues was sourced from fora other than the one with primary responsibility for it has two implications. First, there is a role for APEC to undertake more focused capacity-building work in this area that would help developing APEC Members implement their CAP commitments *sourced* through the CTI. Second, another important function for APEC would be to act as a clearinghouse that matches needs with technical cooperation on offer by APEC Members—in both the Business Mobility and Standards and Conformance areas.

5.4d Funding Mechanisms

A large number of projects were funded through the APEC Operational account and/or received TILF Funding *only* (106 of the 243 trade facilitation projects or 44% of trade facilitation projects)⁵⁷. While projects that are fully self-funded or partially self-funded demonstrate a willingness of Member economies to invest in areas of trade facilitation deemed by them as a priority, excluding these provides some insight into the types of projects funded by APEC as an institution and its priorities.

Approximately 80% of projects (36 out of 44 projects) recorded under Customs⁵⁸ were funded through either APEC's operational account or the TILF account. This is in contrast to other categories. For Standards and Conformance this ratio was 39%, Business Mobility (45%), E-commerce (14%), Regulatory Reform (30%), and Other (35%).

This divergence further demonstrates the significant differences between customs issues and other trade facilitation areas mentioned above. Because we have excluded all projects with any self-funded amounts, it may also indicate a desire by APEC Members to allow funding for projects that meet objective criteria. Such criteria could be an easy mapping between project objectives to CAP deliverables; the presence of an international system of best practice that can be objective goals of a technical cooperation program.

⁵⁶ Project Number: IST 04/1999S for \$1.5 million, self-funded.

⁵⁷ We also found that 39 of the 243 projects (or 16%) had zero budget entries in all three available funding categories. For APEC projects other than trade facilitation, we found that 127 out of 448 projects (or 28% of all projects) had zero budget levels recorded.

⁵⁸ The denominator includes projects with zero-budget values.

5.4e Linkages between Facilitation Areas

In analyzing linkages, projects were assessed that had relationships to different facilitation areas⁵⁹. This cut of the data is given in Table 7. The greatest overlap by far occurs between customs-related projects and e-commerce (shaded cell). 17 of the 44 projects that we counted in the customs area had some e-commerce element to them. Conversely, we found that projects counted in e-commerce were focussed in providing new and innovative ways to encourage e-commerce in the region⁶⁰ without much overlap with customs or other facilitation areas. This lack of overlap can also be extended to other facilitation areas were projects sought to address narrow issues in particular sectors.

Table 7: Linkages between Facilitation Activities

Project Counted in	Project is Related to						Total
	Standards & Conformance	Customs	Business Mobility	E-commerce	Regulatory Reform	Other	
Standards & Conformance	88	-	5	1	6	-	100
Customs	-	25	-	17	2	-	44
Business Mobility	2	-	18	-	-	-	20
E-commerce	3	-	-	19	-	-	22
Regulatory Reform	-	3	-	-	17	-	20
Other	-	4	-	-	2	31	37

Source: Calculations from APEC Project Database

5.4f Implementing Approaches

Table 8 provides a summary of approaches taken by APEC in trade facilitation⁶¹. The largest category of approaches was Technical Assistance, Training and Study/Experts Visits, representing 31% of APEC project activity (shaded cell). However, a large share of this activity was in the customs area. Excluding customs-related projects, we find that only 22% of APEC project activity takes place in the form of technical assistance.

⁵⁹ Project descriptions were reviewed and placed in facilitation areas. This is a subjective exercise and the numbers in Table 2 provide only broad generalizations rather than accurate description of linkages.

⁶⁰ Two examples would be: Cross-Country Smart Card-Based Secure e-commerce (TEL 03/2001, \$77K), and the APEC SME Electronic Commerce Survey (TEL 05/1997T, \$225K)

⁶¹ To do this, descriptions of all trade facilitation projects were reviewed and divided into 8 categories. Table 8 provides only a broad picture of approaches taken rather than a precise quantitative description of whether a project was in fact a “workshop” or a “database” *per se*.

Table 8: APEC Approaches to Trade Facilitation, Number of Projects

	S & C (1)	Customs (2)	Business Mobility (3)	E-com. (4)	Reg. Reform (5)	Other (6)	Total (7)	Total % (8)
Surveys, Studies, Reports, Needs Analysis	21	8	9	6	10	12	66	27%
Databases/Software	6	2	1	2	0	1	12	5%
Seminars/Conferences/ Workshops	32	2	2	6	5	7	54	22%
Guides/Best Practices Manuals/Blueprints	2	2	2	1	0	0	7	3%
Technical Assistance, Training, Study/Expert Visits	20	28	6	5	3	14	76	31%
Cross-Cutting* Information Not Discernable	14	0	0	2	0	3	19	8%
Administration**	2	0	0	0	1	0	3	1%
Administration**	3	2	0	0	1	0	6	2%
Total	100	44	20	22	20	37	243	100%

Source: APEC Project Database. *Cross-Cutting approaches use multiple approaches to deliver projects.

**Administration refers to funding for travel of consultants or developing member participants, publication costs and other such administrative matters.

5.5 From Collective Action Plans To Projects

As pointed out above, APEC's project work related to facilitation issues is very much driven by the implementation of CAP commitments. Appendix D Tables D4-D6 provide examples of selected CAP commitments and map these to projects undertaken by various fora. The contrast between customs on the one hand and Standards and Conformance and Business Mobility on the other provides some lessons for future capacity building work in APEC. In reviewing APEC's CAP goals in the core facilitation areas, we find two types.

First, there were rather specific CAP goals that resulted in particular policy measures and/or projects. For example, the development of the *APEC Guide on Alignment of Member Economies' Standards with International Standards* was set as a collective action after Osaka and easily completed in 1997 (see shaded row in Appendix D Table D4). Another example is the CAP commitment to harmonize tariff nomenclature by adopting the HS Convention by 1996. This resulted in the launch by the SCCP of a technical cooperation program to help developing Members adopt the HS Convention (see shaded row in Appendix D Table D5). Therefore, clear CAP goals led to clear project outputs and outcomes. Further, as shown in D5, clear CAP goals with a firm timeframe more often resulted in specific technical cooperation activity undertaken through APEC.

The second type of CAP goal was rather broad direction set for APEC Member economies to undertake measures in facilitation areas. For example, one CAP objective in the Standards and Conformance area was participation in international standardization bodies such as ISO and IEC in a variety of sectors such as: building construction, hazardous area equipment,

environmental management standards, bulk pharmaceuticals, etc. (see shaded row in Table D4). This resulted in the Sub-Committee on Standards and Conformance (SCSC) to launch a Seminar and Workshop series in 2001 to ensure that the CAP commitment is met. Another example is the CAP commitment to facilitate policy dialogue between border management and other relevant officials on regulatory regimes relating to short-term travel and business residency (see shaded row in Annex Table A6). This CAP commitment was met by a series of workshops held by a variety of working groups aimed at getting policy-makers in this area to share information on regulatory issues involved in the mobility of business people.

In analysing CAPs and their relationship to projects, we found that setting clear CAP goals did result in significant technical cooperation work done to achieve these goals. Nowhere is this clearer than in the customs area. Not only did customs have the largest number of projects undertaken as “technical assistance” (see Table above), the SCCP has arguably been the most successful in achieving CAP goals. This is also true in the Standards and Conformance area, with an important qualification—for CAPs that did not set specific goals, the type of activity undertaken fell more in the domain of seminars and workshops, rather than hard technical cooperation or capacity building.

5.6 Beyond Collective Action Plans

The positive implication of this CAP-driven approach is that it provides focus to the work program of various APEC Sub-Committees and Working Groups. This focus on CAPs, however, has some downside risks. A CAP-driven approach ensures that facilitation issues are on the agenda of multiple APEC fora—each of which is striving to implement its own CAP-driven mandate. However, in the absence of some coordinating mechanism within APEC to prioritize CAP goals and provide funding for these priorities, APEC efforts tend to be diffused. We see this is especially the case in the Standards and Conformance and Business Mobility areas.

Another downside risk of a CAP-driven approach is that simply undertaking a project because it meets a CAP commitment does not necessarily mean that capacity is being built in developing APEC Members or that the project undertaken is even a priority for them. In the longer term, this could lead to a lack of confidence among developing APEC Members about the ability of APEC as an institution to deliver capacity building programs that are relevant to them.

Finally, as pointed out above, the success of a CAP-driven approach is very much dependent upon the nature of the CAP goal. The diffused nature of Standards and Conformance and Business Mobility in the first place results in a patchwork of CAP commitments. The vagueness of many of these CAP commitments compounds the problem and results in varied approaches to implementing CAPs. In the end, it is hard to assess what the impact of this CAP-driven approach is on the barriers experienced by businesses and their transaction costs in the Standards and Conformance or business mobility area. Clearly, having specific CAP goals that lead to specific projects (of the technical cooperation variety) and relating these to reductions in transaction costs for businesses in APEC provides a framework for future capacity building work.

5.7 Toward a Coordinated Trade Facilitation Capacity Building Program

While APEC's trade facilitation agenda has progressed with work underway in numerous APEC fora, the links between capacity building and trade facilitation continue to be relatively weak. At one level, this may be because of an emphasis, perhaps an over-emphasis, within APEC members of the relative importance of policy measures in the facilitation of trade. This emphasis on policy actions may have resulted in the evolution of APEC's capacity building agenda relatively independently from its TILF Agenda.

An indication of this two-track evolution comes from the Manila Declaration. In it, APEC Leaders created the six Ecotech themes: developing human capital; fostering safe, efficient capital markets; strengthening economic infrastructure; harnessing technologies of the future; promoting environmentally sustainable growth; and encouraging growth of SMEs. These were set independently from the overall work done by APEC in TILF. Although overlap on certain issues does exist (for example in the area of sustainability of the marine environment), Ecotech activities were envisaged to be relatively independent from other APEC activities, including trade facilitation.

The last two APEC Leaders meetings have highlighted this two-track evolution and provided direction for greater coherence between TILF policy actions and Ecotech programs. The Bander Seri Begawan Declaration, for example, enshrines the principles of coordination with development programs of Member economies and collaboration on TILF issues with the programs of multilateral institutions. Paragraph 12 of the Shanghai Declaration, while welcoming advances made by APEC to meet its Ecotech goals, underscores the need for TILF and Ecotech activities to be mutually reinforcing.

In fact, APEC's facilitation and Ecotech agenda (either policy actions or capacity building) is less visible than the liberalization agenda, especially as senior APEC policy makers have focused attention on EVSL-type unilateral liberalizations [see Woo and Wilson (2000): pp. 3]. Three reasons can be given for this lack of attention to facilitation and Ecotech issues:

Tariffs provide a relatively formal, transparent and quantifiable measure of trade restrictions. They are therefore easy to tackle from a policy-maker's perspective. In contrast, facilitation issues such as customs clearance procedures, port development and transportation costs, domestic standards and conformance procedures, etc. are more structural problems that require a blend of policy changes, administrative and legal reform, infrastructure investment, and private sector participation. As Woo and Wilson put it, trade facilitation is the "plumbing" of trade policy and as such requires a deeper commitment of policy-makers to reform [see Woo and Wilson (2000): pp.3].

The second difficulty in approaching non-tariff barriers—that facilitation measures seek to alleviate—is that they are defined by what they are not. Costs experienced by firms that result from non-tariff barriers cannot always be accounted for as line items in their financial statements but are often capitalized into input costs. For example, the costs of meeting the health and safety requirements of agricultural products will be diffused throughout the supply chain—from extra costs of machinery, processing, testing, transportation, packaging, etc. Therefore, while the private sector may be aware of the existence of such costs, it is hard for them to move policy-makers to do something about them, since unlike tariffs, the costs are harder to define.

Another difficulty with capacity building in trade facilitation is that it requires a significant level of technical cooperation and infrastructure investment. As an example of the customs reform area, Finger and Schuler (2000) identify 16 areas of customs reform—ranging from computerization of customs systems, statistical reporting, cargo control to administrative and legal reform— costing \$2.5 million *each*. In the Sanitary and Phytosanitary Standards (SPS) area, Finger and Schuler (2000) provide examples of multi-million dollar projects undertaken in APEC economies such as China, Russia, and Vietnam on specific components of their SPS systems, including pest management, animal and plant quarantine, and improved food processing systems.

5.8 Facilitation in the Development Context

Given the Shanghai benchmark, it must be kept in mind that APEC efforts to reduce transaction costs in developing economies through facilitation must take place in sectors and themes of priority to developing economies. Here, three aspects of the regional dynamic need to be kept in mind in framing future APEC capacity building work.

First, over the long term, developing members are likely to continue to experience strong economic growth and integration into APEC and the world economy. This is because, relative to other regions of the world, there appears to be a policy consensus amongst planners in APEC developing members of the policies needed to encourage growth in a globalized world. This consensus will receive a further boost as the new round of WTO negotiations proceeds and as regional FTAs gather pace.

This trend will result in an evolution of developing APEC Members' economies to a greater reliance on value-added agricultural products, value-added manufactures, and services sectors. In this context, targeting facilitation activities and reducing transaction costs in those sectors that enable developing members to take greatest advantage of international trading opportunities should be the overarching framework for future APEC technical cooperation and capacity building.

Comment: However, such efforts need to be firmly grounded in the development plans of Member economies.

Second, using a seamless transaction costs approach, APEC can fill a niche on facilitation issues *not* being addressed in other fora (such as the WTO). While elements of trade facilitation are already contained in the WTO legal framework⁶², in practice, the work in the WTO has focused primarily on customs and border-crossing procedures [See Woo (2002)]. Indeed the Doha Ministerial Declaration refers to technical assistance and capacity building only in the context of “the movement, release and clearance of goods, including goods in transit” [see WTO (2001)].

Third, how one arrives at this framework and targeted assistance is important. The vast majority of capacity building efforts undertaken in APEC developing economies takes place within the context of members' own development plans and programs of multilateral and bilateral donors. Therefore, in order for APEC to provide value-added and complementary technical assistance in the future, its capacity building efforts must be firmly grounded in the development plans of its developing member economies.

⁶² For example GATT 1994 Articles V (Freedom of Transit), VII (Customs Valuation), VIII (Fees and Formalities connected with Importation and Exportation), and X (Publication and Administration of Trade Regulations). In addition, facilitation issues are covered in various WTO Agreements, including: Customs Valuation, Import Licensing, Preshipment Inspection, Rules of Origin, Technical Barriers to Trade (TBT), and Sanitary and Phytosanitary Measures (SPS).

The advantages and synergies of such an approach by APEC are many. First, it ensures that APEC efforts remain focused in specific sectors of priority to developing economies. Second, it ensures that capacity-building efforts are coordinated across multilateral and bilateral institutions. Third, it ensures that APEC's efforts leverage larger programs undertaken by multilateral and bilateral donors. Fourth, it provides APEC an avenue to influence the policy-making process *as it evolves* in developing economies.

Combine this with objective criteria set by APEC Economic Leaders in 2001, and we have a capacity building effort that is strategic in its purpose, coherent in its approach, coordinated in its delivery, objective in its criteria, and based on the needs of developing economies themselves.

5.9 Conclusions

Based on the above analysis, we conclude the following in regard to the institutional work of APEC in trade facilitation:

- With respect of level of funding: Relative to other institutions, the aggregate level of funding for project activity in APEC is extremely limited. In so far as APEC acts as a champion for capacity building programs in trade facilitation, it will leverage its own funds by coordinating with other institutions.
- With respect to CAP process and goals: On current goals, APEC should review implementation related to technical cooperation. Goals and implementation time-frames should be specific. Each goal (where possible) should include an explicit indication of the implications for capacity building. In formulating future CAP goals that require technical cooperation, APEC should adopt a similar strategy-- ensure that CAP goals are well delineated with specific time frames for implementation and (where possible) an explicit indication of implications for capacity building.
- With respect to the alignment of IAPs with CAPs: There is a need to examine the alignment and to undertake technical cooperation activity to ensure that APEC members adequately report on progress in implementing their CAP commitments. This need for technical cooperation is especially important for developing APEC Members and could be enhanced through improved reporting by developed APEC members on technical cooperation initiatives. APEC could act as a clearinghouse to provide an inventory of what has already been done, but also what is offered in specific CAP areas.
- With respect to coordination of trade facilitation activities: All told, facilitation activities were diffused through various APEC work groups. Coordination of the various forums under one, such as the CTI, would assist focus and prioritizing of APEC work in this area. Moreover, systematic and independent evaluation methodology to assess the impact of capacity building projects in the facilitation area will help ensure that facilitation projects meet the Shanghai goal but provide confidence to the business community on the impact of project work on their transaction costs.
- With respect to the CAP approach: A CAP-driven approach does not necessarily mean that a particular CAP goal is or should be a priority for all developing APEC members. In

reviewing current CAP goals and formulating new ones that require technical cooperation, APEC should ensure that the development and sectoral priorities of its developing members is taken into account. This could be done in a formal manner through a required consultation process not only with APEC officials from the Member economy but also with officials in development and finance ministries. This consultation could be buttressed by ensuring that during the planning phases of a technical cooperation program that the development priorities in facilitation areas are explicitly taken into account.

6. Trade Facilitation in Multilateral Policy Context

Consideration of trade facilitation—from efforts to define it, to quantify the consequences of it, to consider approaches to improving it, to modalities for negotiating it—is not taking place only within APEC. Trade facilitation may be relatively new in the context of the World Trade Organization, but it has existed in partial representation for some time in other multilateral organizations, including the World Customs Organization or the International Maritime Organization, and has been considered in other regional forums, including the Common Market of the South (MERCOSUR). The empirical analysis presented in Section 2 suggests the potential synergies of a comprehensive approach to trade facilitation that goes beyond a single dimension or regional groups. This section and the material in Appendix D and E outline the scope and array of efforts in the area of trade facilitation as a prerequisite to considering consultation or coordination so that economies, particularly the least developed economies, can enjoy maximum synergies from comprehensive trade facilitation. Because APEC efforts have, in the past, served as a foundation for further efforts in the WTO (consider APEC’s role in the context of the Information Technology Agreement, for example), trade facilitation in the context of the WTO is highlighted here.

6.1 The Doha Agenda and Trade Facilitation⁶³

Trade Facilitation is a relatively new issue at the multilateral trade negotiations. It was added to the WTO agenda as one of the “new” issues in December 1996 at the Singapore Ministerial meeting.⁶⁴ The WTO defines trade facilitation as “the simplification and harmonization of international trade procedures, with trade procedures being the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade.”⁶⁵ According to this definition, trade facilitation involves activities such as import and export administration procedures like customs or licensing procedures; transport formalities; payments, insurance, and other trade-related financial requirements. So far, the work of the WTO on trade facilitation has focused mainly on customs and border-crossing procedures. This definition of trade facilitation given by the WTO (and similarly by many other international organizations like UNCTAD, UNECE, and OECD) is a somewhat narrow concept compared to the ones used by some other organizations. For example, APEC uses a broader definition of trade facilitation to include some other related issues like e-commerce and business mobility, which are also becoming important factors to speed up international trade transactions.

At the Doha Ministerial meeting, trade facilitation was proposed for inclusion in the agenda as one of the “new issues” of a new round of multilateral trade negotiations. Many members considered the topic of trade facilitation ripe for negotiations in the WTO. Supporters argued that after more than four years of exploring and analyzing the scope for WTO rules on this issue, it was about time to advance to the next stage and enter into negotiations. A group of members advocating the negotiation of trade facilitation rules proposed a two track approach,

⁶³ Much of this section is a summary of the WTO document “Overview of Trade Facilitation Work in the WTO”, available at www.wto.org

⁶⁴ The new basket of trade issues introduced at the Singapore Ministerial meeting in 1996, labeled accordingly as “Singapore Issues”, includes investment, competition policy, transparency in government procurement, and trade facilitation.

⁶⁵ WTO website: www.wto.org.

centered around commitments on border and border-related procedures to expedite the movement, release and clearance of goods.

For one track, it was suggested to build rules upon existing WTO provisions, in particular GATT Articles V (freedom of transit), VIII (fees and formalities connected with importation and exportation) and X (publication and administration of trade regulations) as well as on principles such as transparency, due process, simplification, efficiency and non-discrimination. Among the examples given by the proponents of what could be covered by such rules were the simplification/minimization of data and documentation requirements, the streamlining of data entry and exchange (e.g. electronic transmissions), or the use of international standards where appropriate and possible. For the other track, the proposal provided for the development and implementation of a comprehensive technical assistance program in parallel to negotiations. Such assistance would involve the cooperation and coordination amongst donors and recipients and include needs assessment as well as long-term monitoring and follow-up.

In contrast, some developing members, while supportive of the basic goals of trade facilitation, did not want to commit to new legal obligations in the WTO. There was concern that additional rules might exceed implementation capacities and uncertainty regarding dispute settlement in these areas. Some delegations also expressed preferences for trade facilitation work to be undertaken at the national, bilateral or regional level.⁶⁶ Consultations revealed that, while there was some movement towards common ground, a number of divergences continued to exist. After intense and heated discussions, and several draft texts for a new trade facilitation mandate, Ministers in Doha finally agreed on the following language in the Doha Declaration:

“Recognizing the case for further expediting the movement, release and clearance of goods, including goods in transit, and the need for enhanced technical assistance and capacity building in this area, we agree that negotiations will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that session on modalities of negotiations. In the period until the Fifth Session, the Council for Trade in Goods shall review and as appropriate, clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 and identify the trade facilitation needs and priorities of members, in particular developing and least-developed economies. We commit ourselves to ensuring adequate technical assistance and support for capacity building in this area.”⁶⁷

6.2 Emergence of Trade Facilitation as a Key Trade Issue

Although trade facilitation is quite new to the work of the WTO, trade facilitation work in the area of customs procedures is anything but a new issue to other international organizations. For several decades, the work in trade facilitation has been carried out by other organizations such as United Nations Conference on Trade and Development (UNCTAD), World Customs Organization (WCO), and The United Nations Economic Commission for Europe (UNECE).

⁶⁶ This argument is quite valid based on the fact that trade facilitation is emerging as a regular feature in recent regional and bilateral trading arrangements. For example, APEC developed a set of trade facilitation principles in 2001 and is in the process of implementing measures to achieve its goal of reducing transaction costs by 5% through trade facilitation measures by 2005. FTAA members have also been implementing eight customs-related business facilitation measures since January 2000 and also committed to technical assistance programs. Recently in 2001, Japan-Singapore bilateral FTA announced provisions on a wide range of trade and investment facilitation initiatives in its agreement. See Woo (2002) for further details on this discussion. The Canada-Costa Rica FTA includes a chapter on trade facilitation, see Canada-Costa Rica Free Trade Agreement, Chapter IX and related provisions.

⁶⁷ Doha Ministerial Declaration, November 1, 2001, item 27

More recently in the 1990s, regional institutions like APEC have paid a lot of attention to the issue of trade facilitation.⁶⁸ Traditionally, trade facilitation was considered a somewhat technical issue, and was not extensively discussed in multilateral trade negotiations under the GATT.

Then, why is trade facilitation becoming an important issue in trade and development policy recently? First, for the last several decades, the international trading system under the leadership of the GATT focused on improving market access, thereby reducing quotas and lowering tariff rates significantly. The main focus has been on the trade liberalization issues. Although it is true that more work needs to be done in the area of trade liberalization, the expected marginal improvement has become much smaller in recent years. As a result of the Kennedy, Tokyo, and Uruguay Rounds of multilateral GATT agreements and various regional and bilateral Free Trade Agreements (FTAs), tariff levels are now at an all-time low and thus the relative importance of non-tariff barriers to trade has increased.⁶⁹ With this trend of low tariffs across the globe, the cost for businesses to comply with inefficient implementation of customs formalities and red tape has been reported to be high. For example, average tariff reductions under the Uruguay Round agreement were about 2% of total trade value while potential gains from trade facilitation are estimated in the range of 2-3%.⁷⁰

According to an APEC study referenced earlier in Section 2 the estimated gains from trade facilitation programs would be about 0.26% of real GDP of APEC, almost double the expected gains from tariff liberalization. Policy makers are increasingly devoting attention to trade facilitation issues. Second, with the rapid progress in modern technology, many economies are now able to significantly improve the infrastructure of managing cross-border trade transactions. In particular, the availability of high-speed, large-capacity data processing computers and communications technology enables governments to set up much more efficient trade management procedures, and thereby yielding a very high rate of return on investments in new trade-facilitating systems.

Third, in the modern business environment of just-in-time production and delivery, traders need fast and predictable release of goods.⁷¹ Thus, the businesses' international competitiveness is heavily dependent on the speed of business transaction, of which the speed of clearing at the international border plays an essential part. This is particularly important for economies located away from the major international markets, including many developing economies. Therefore, business communities of many economies are asking their governments to help their business by taking trade facilitation measures. Fourth, trade facilitation is an issue that will help both exporters and importers. That is to say, not many economies will show resistance to the idea of improving trade facilitation. Not like tariff negotiations, where different economies have different interests in different industries, it should not be difficult to achieve an agreement in multilateral rules on trade facilitation. Thus, it turns out that trade facilitation could be a quite deliverable item on multilateral trade negotiation agenda.

⁶⁸ The review of trade facilitation works by these organizations is provided in the section VII.

⁶⁹ See Finger and Schuler (2000).

⁷⁰ A study by Canadian Department of Foreign Affairs and International Trade.

⁷¹ WTO (2001c).

6.3 The WTO's Past Treatment of Trade Facilitation⁷²

Although trade facilitation has not been in the domain of the GATT's agenda and work, some of the specific elements related to the simplification and harmonization of trade procedures were already included in the multilateral trade framework. For example, various issues related to trade facilitation are contained in the GATT Articles V, VII, VIII, X as well as in the agreements on Customs Valuation, Import Licensing, Preshipment Inspection, Rules of Origin, Technical Barriers to Trade (TBT), and the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS). However, it was not until the Singapore Ministerial meeting in late 1996 when the WTO was given the mandate to take a more comprehensive approach to trade facilitation. The Singapore Ministerial Declaration directed the Council for Trade in Goods (CTG) "to undertake exploratory and analytical work, drawing on the work of other relevant organizations, on the simplification of trade procedures in order to assess the scope for WTO rules in this area."

Following the direction given by the ministers at the Singapore meeting, the WTO prepared a background note on trade facilitation, which was a review of all the works done on the subject of trade facilitation by 15 other international organizations, including non-government organizations. On the basis of this background note, the CTG had an extensive discussion on identifying the main areas of future work in the WTO. In March 1998, the CTG organized a WTO Trade Facilitation Symposium inviting both business and policy communities to discuss possible future work of the WTO on trade facilitation. Main concerns expressed by the business community were: excessive documentation requirements; lack of automation and insignificant use of information-technology; lack of transparency (unclear and unspecified import and export requirements); inadequate procedures (especially a lack of audit-based controls and risk-assessment techniques); lack of modernization of, and cooperation among customs and other government agencies, which thwarts efforts to deal effectively with increased trade flows.

Between the summers of 1998 and 1999, the WTO held four more meetings to conduct further exploratory and analytical work in order to focus on more specific issues of trade facilitation: import and export procedures and requirements, including customs and border-crossing problems (overview of the Kyoto Convention); physical movement of consignments (transport and transit), including payments, insurance, and other financial requirements which affect the cross-border movement of goods in international trade; electronic facilities and their importance for facilitating international trade, including technical cooperation and development issues; evaluation of the exploratory and analytical work to assess the scope for WTO rules in the area of trade facilitation. During these meetings, many WTO member economies and other international organizations presented their own experiences dealing with trade facilitation and suggested their own proposals on the WTO's work on trade facilitation.

In preparation for the Seattle Ministerial meeting at the end of 1999, several members presented proposals on trade facilitation in the General Council. Some members called for the launch of negotiations at Seattle to establish a framework of rules and disciplines, or to strengthen and elaborate existing WTO rules (e.g. Articles VIII and X GATT 1994) with the objective of alleviating administrative and procedural burdens on traders. It was also proposed to develop and implement a capacity building program in conjunction with the design of WTO

⁷² This section is a summary of a WTO document, Overview of Trade Facilitation Work in the WTO, which is on the website of the WTO. For further details, see the original document.

disciplines with the aim of ensuring that all members are able to implement the negotiated rules and disciplines.

Within the WTO the advocates of formal trade facilitation rules are known as the Friends of Trade Facilitation or the “Colorado Group”, consisting of Australia, Canada, Chile, Colombia, Costa Rica, EU, Hong Kong, China; Hungary, Japan, Korea, Morocco, New Zealand, Norway, Paraguay, Singapore, and Switzerland, and the United States. Other Members – collectively known as India and the Like Minded Group⁷³ -- preferred to continue with the exploratory and analytical work started at Singapore, and believed that there was no need for additional WTO obligations. In this context, it was argued that reform and improvement of customs and trade administration were not contingent upon new disciplines, and that technical cooperation efforts should be stepped up to help developing economies with the improvement of their infrastructure for trade transactions.

After the disappointing outcome – particularly so in the area of trade facilitation as it was overtaken by other issues such as anti-dumping -- of the Seattle Ministerial meeting, the CTG continued in 2000 and 2001 its analytical and exploratory work on trade facilitation. Some delegations drew linkages between the national experiences and WTO principles. They showed that problems faced by traders are identical in practically every economy regardless of their level of development. Likewise, trade facilitation policies applied by governments all over the world were essentially based on the same principles such as simplification, predictability, transparency, non-discrimination and consultation. Although those principles would already exist in the GATT 1994, they needed to be further elaborated in order to address customs and border-crossing problems in an efficient and coherent manner.

Other delegations expressed caution against expanding the WTO legal framework so as to include trade facilitation rules. In December 2000, the Chairman of the CTG prepared a progress report to the General Council on the status of work on trade facilitation. This report raised several points:

- Information technology was seen as instrumental for raising the efficiency of customs procedures. But the simplification of official requirements was itself a precondition for the application of information technology.
- There was a trend for government and industry to work more cooperatively on customs issues. Small and medium-sized enterprises in particular have much to gain from the simplification of requirements and greater transparency.

In May 2001, the WTO organized a Workshop On Technical Assistance And Capacity Building On Trade Facilitation. Drawing on conclusions made by both panellists and discussants in the course of the workshop, delegations underlined the importance of technical assistance and capacity building for facilitating trade and identified the following elements as essential for the successful execution of trade facilitation-related technical assistance programs: the political will of governments to undertake trade facilitation-related reforms; coordination and cooperation among the providers of technical assistance; transparency of reform programs as well as of the legal system; the involvement of all stakeholders (governments, business community, customs...) in the execution of trade facilitation measures; the responsiveness of trade facilitation programs to particular needs of recipients; and the use of agreed benchmarks in their execution.

⁷³ See Woo (2002).

Delegations also underlined the necessity of technical assistance to be sustainable and consistent with reform efforts at the national level.

6.4 Challenging Issues for the WTO negotiations⁷⁴

The Doha Declaration limited the discussions of trade facilitation in the current round of multilateral trade negotiations to the area of customs procedures. In particular, work is focused on GATT Articles V, VIII, and X. These trade facilitation issues are particularly important to developing economies because trade facilitation can make a significant contribution to the expansion of trade and income of developing economies. Trade facilitation, by lowering administrative and procedural barriers, should complement efforts to reduce tariffs and non-tariff barriers in opening markets.

It is generally assumed that business in many developing economies is hampered by administrative difficulties. Such difficulties may include outdated or inconsistent legislation or regulations, burdensome official documentation or regulatory requirements, arbitrariness in the application of rules and procedures, difficulties in making payments or transfers, official hindrances at ports or airports, or lack of sources of information on markets and marketing practices. All these factors can delay the movements of goods and services and add to the transaction costs of trading. Trade facilitation aims to alleviate these obstacles and ease the path to increased trade and associated developmental benefits to developing economies.

The needs for trade facilitation may differ among economies and sectors as economies vary in the efficiency of their own trade procedures and the procedural, logistical or administrative barriers they face in international trade. Nevertheless, all parties to a transaction should be able to gain from easier and lower-cost trading conditions. However, there may be initial costs. Introduction of trade facilitation measures requires the deployment, or redeployment, of scarce financial, physical and human resources. These costs are a significant burden for many developing economies. Thus, the main challenge for the Doha agenda in the area of trade facilitation is how to deal with some of the challenging issues related to the trade facilitation in particularly in developing economies and the technical assistance and capacity building issue for developing economies in order to further integrate them into the multilateral trading system. This report provides insight into addressing these issues from the perspective of the Asia Pacific region.

6.4a Export, Import and Customs Procedures

There are various issues involved with facilitation of export and import procedures and requirements. One of them is simplification and greater transparency in official documentation required for border crossing of exports and imports of goods and services. Simplification of documentary requirements has been shown to be a major facilitator of trade in both developed and developing economies. Contributions of trade facilitation can be achieved by increasing transparency, reducing delays in border crossings, and diminishing the potential for corruption. Numerous international organizations, such as WCO, UNECE, UNCTAD, ITC, are engaged in technical assistance programs in this area. Simplification of packaging and labelling

⁷⁴ A large part of this section is based on a WTO document (WT/COMTD/W/57), "Development Aspects of Trade Facilitation."

requirements, and the harmonization of international standards and sanitary restrictions are also important aspects for the facilitation of trade.

However, since the Uruguay Round agreement, many developing economies have pointed out the difficulty of participation in standards-setting operations, the persistence of differing national requirements, the difficulty of obtaining information, and the severe physical and financial costs thus imposed on their exports to developed and other developing economy markets. Transparency of information is also an important facilitator of trade. But, the highest possible dissemination of information is somewhat restricted by the lack of internet technology in many developing economies. Thus, the main challenge for the WTO would be to clearly identify specific needs and areas for technical cooperation and assistance.

Simplification of official procedures is another area of possible trade facilitation. The streamlining of procedures, concentration of controls in one authority, and more effective communications systems should reduce transaction costs and diminish incidences of tariff and tax evasion. Easier means for payment of duties should reduce the burden on the Customs authorities, banks, and traders, and diminish the chance for corrupt practices as well. However, the administrative changes required for this facilitation work may imply substantial re-training needs, and even a change in governmental and business ethos, which may be met with strong resistance from the existing institutions, particularly in developing economies.

The use of electronic data management system and information technology opens new opportunities for trade facilitation. However, the use of electronic means also poses challenges for many economies, especially for those economies in which the basic physical and human infrastructure and the regulatory environment necessary for the use of electronic means are not yet fully developed. For this to work, economies would need a literate workforce, people with basic knowledge in using computers and skilled technicians to repair and service software and hardware, physical access to computer hardware and software as well as a reliable supply of electricity, and a functioning telecommunications network. Thus, expected difficulties in the use of electronic means in trade facilitation should not be underestimated, particularly for least developed economies. For developing economies to make progress in this area would require financial, training and other types of assistance. In this field, UNCTAD has played an important role through the introduction of several software programs like Automated System for Customs Data (ASYCUDA) and the Advance Cargo Information system (ACIS).

Transparency, predictability and consistency of regulations can contribute substantially to trade facilitation. Issues involved in this context include the publication of all laws, regulations and administrative rulings; the application of such laws only after their publication; uniform and consistent application of customs laws, regulations, guidelines and procedures; limitation of the discretionary powers of officials by making legislation, procedures and documentation requirements as transparent as possible; and limitations on penalization for inadvertent mistakes. It has been suggested that application of the Arusha Declaration on Customs Integrity, the 1993 WCO initiative, which called for progressive reform, would assist in this area. All parties stand to gain from transparency, predictability and consistency apart from those which have made illegal gains from the lack of transparency and predictability. This is also an area in which technical assistance can be provided. But, the bigger challenge in this area would be to obtain political and legislative commitment to make progressive reform in many developing economies.

A modern, efficient border administration is another important issue for the effective conduct of trade. Various regulatory, training and educational needs may be identified, including

improved training for officials in the rules they are administering; increasing the ratio of professionals to other staff; and regulation of professional standards of customs brokers and customs warehouses. Other measures that may be identified include the adjustment of the opening hours of border crossings to commercial needs and the location under one roof of agencies that need to work closely together.

These improvements would certainly have beneficial developmental effects, but at the same time would also require increased resources to bring them into effect. Funding might be sought from international financial institutions or the private sector to overcome infrastructure problems. This is the area where economies could seek technical assistance from the World Bank, regional development banks or other similar institutions.

In the area of simplification of customs procedures, some WTO members have suggested that the Kyoto Convention should be the basis of discussion. Some developed members even argued that new rules in WTO in this area should include binding obligations on WTO members to accept and adopt the standards laid out in the revised 1999 Kyoto Convention. The convention is expected to provide a blueprint of procedures that customs could adopt for customs control and facilitating clearance. It would be, however, unrealistic to think that the WTO members could easily adopt the principles laid out by the Kyoto Convention. To begin with, not all of the 40 contracting parties of the Convention have ratified the Convention yet, three years after the revision. It gives a good indication how difficult it would be for all the WTO members to agree on the principles of the Convention. In fact, many developing economies have already argued that the limited progress achieved to date in computerization and modernization of their customs procedures makes it difficult for them to accept any binding obligations in this area.

6.4b Physical movement of consignments (transport and transit)

Many problems for transport operators relate directly to border-crossing requirements - in such areas as documentation, technical regulations, reporting and visa requirements. These transport related issues appear directly relevant to concerns expressed by developing economies. The agreement and application of uniform international rules in areas such as information requirements for the movement of goods, reporting requirements for the movement of vessels in and out of ports, legislation concerning the movement of crews and passengers in sea transport, technical requirements for road transport vehicles, fiscal charges, restrictions, visa requirements for drivers, and rules regarding the carriage of hazardous goods may be of particular interest to SMEs in developing economies. Internationally agreed rules in transport and transit might therefore indirectly open up new market access opportunities, including neighbouring developing markets.

Facilitation in the areas of transport and transit might particularly benefit a specific group of developing economies - the land-locked and island economies - which are highly dependent on transport and transit rules for their exports. As many such economies are among the poorest, their concerns should be given all due attention. However, the biggest challenge for the WTO would be to figure out how to deal with these issues within the confines of the WTO. Many of the areas identified above may be subject to international negotiation. For example, some issues, such as improvement of market access conditions for foreign transport companies, might potentially fall within the scope of the GATS. In addition, most of these issues are not currently

included in the ambit of the WTO, such as port regulations and reporting requirements, air transport, or the harmonization of technical and fiscal measures placed on vehicles or of existing rules for the carriage of hazardous goods.

6.4c Financial requirements related to cross-border movement of goods

A certain number of issues for trade facilitation resulting from commercial practices of banks and other financial institutions may be identified. These include the creation of more efficient payment and credit arrangements, for example through an internationally agreed method for ensuring the legal validity and security of electronically exchanged payment messages from or to non-banks (such as the so-called BOLERO system, parallel to the SWIFT system among banks). Restrictive governmental policies such as the prescription of specific payment methods also impede trade. Liberalization of exchange control and other formalities related to payments, insurance and other financial requirements would also assist in facilitating trade.

Every exporter, and particularly most developing exporters, wants to limit the time between delivery and payment received as well as minimize the risks of not being paid at all. The more reliable the banks and the banking system in a developing economy, the greater the chance that a bank in that economy will be chosen as the "third party" to an international payment. The establishment of well functioning, secure payment systems in developing economies for imports and exports would therefore benefit both banks and traders. The strengthening of credit insurance mechanisms would thus help developing exporters.

Exporters in developing economies are therefore in particular need for increases in the availability of export credit at lower interest. Small trading nations may profit most from international standards and good corporate practice in the areas of international payments and insurance. Obviously, the challenge for the WTO in this area of trade facilitation would be to identify the technical assistance needs of developing economies' reform in financial and banking sector and to find financial resources for export credit programs.

6.4d Technical Assistance and Capacity Building

Small- and medium-sized enterprises are more important to developing economies than in developed markets and can benefit from trade facilitation measures, as obstacles to transactions may constitute a larger share of their costs than for large companies. Facilitated procedures in developing economies would benefit importers and exporters alike, may increase possibilities for intra-developing economy trade and might increase the attraction for foreign direct investment.

However, trade facilitation often requires difficult changes in procedures and practices. Facilitated procedures may lead to staff reductions or deployment and hence to opposition from the officials previously employed to service cumbersome administrative procedures. In addition, facilitated procedures require fewer staff, and as a result they normally require more equipment, especially in the form of modern information technology, and thus staff with higher education and new skills. Modern information technology equipment also requires a certain investment for initial set-up and maintenance thereafter. Thus, additional physical and human resources may both be needed in the initial phase of trade facilitation. However, these short-term costs of

facilitating procedures must be compared to the longer-term costs of not doing so. Thus, it seems that trade facilitation is a worthwhile issue to be on the WTO agenda.

The biggest challenge for the WTO to deal with negotiations in trade facilitation must be how to handle the issue of technical assistance and capacity building. There are many developing economies, which generally support the objectives of trade facilitation, but do not want to take on new legal commitments in the WTO at this point in time. They are concerned that additional rules will exceed their implementation capacities and expose them to dispute settlement. In fact, the most significant problem facing developing economies in implementing the Uruguay Round agreements has been inadequate technical assistance, particularly in the new areas like standards and intellectual property rights. They just do not have enough capacity to meet the commitments they made.

Some argue that developing economies should try to identify the amount of technical assistance they need and have the developed members to commit to that amount in the negotiations of the Doha Development Agenda, particularly in discussing behind-the-border matters like trade facilitation.⁷⁵ However, this is not an easy issue for the developed economies, either. The total amount of technical assistance is expected to be huge if it is to cover all aspects of trade facilitation and all developing economies.⁷⁶ One should keep in mind that there are other trade issues that require technical assistance, too.⁷⁷ It remains to be seen how much technical assistance would be given to the area of trade facilitation. In one of the World Bank technical assistance programs, it turned out that Tanzania alone needs \$8-10 million of technical assistance in trade facilitation.

6.5 Future Prospects

The specifics of negotiations on trade facilitation at the WTO remain unclear. Decisions on the modalities for negotiations were deferred to the Fifth WTO Ministerial Conference in late September 2003. Negotiators will have less than two years to complete negotiations to develop an agreement on international rules and principles in trade facilitation. This time period may not be long enough for negotiators to develop consensus among members. Some WTO members remain opposed to launch of the talks on trade facilitation rules. Specifically, WTO members must develop an "explicit consensus" on modalities of negotiations on trade facilitation before the Fifth Ministerial Conference. This will involve all members agreement on what and how to negotiate trade facilitation rules within the next year.

Advocates of trade facilitation rules, however, were able to obtain a mandate to begin work immediately on building stronger rules around the existing WTO articles related to trade facilitation. The CTG is mandated to "review and as appropriate, clarify and improve relevant aspects of Articles V, VIII and X of GATT 1994 and identify the trade facilitation needs and priorities of members, in particular developing and least-developed economies.

⁷⁵ Finger (2002)

⁷⁶ Whereas in most other trade policy areas the case for technical assistance has to do primarily with strengthening the capacity of developing economy officials to participate in WTO negotiations and to implement commitments, technical assistance in customs reform and modernization involves providing physical infrastructure and institutional know-how and thus requiring large commitments of time and money. See Woo (2002).

⁷⁷ At a conference in March 2000, WTO members pledged \$18 million to the Doha Development Trust Fund, which is almost twice the amount requested by the WTO secretariat in its 2002 Technical Assistance Plan. However, most of this fund is likely to be used for the purpose of improving developing economies' capacity to participate in the new round of trade negotiations under the WTO.

A successful outcome in trade facilitation talks will likely depend on whether two groups of members with quite different positions can narrow differences. In this respect, a relatively limited scope for talks focused on “the movement, release and clearance of goods, including goods in transit” may increase the scope for consensus. Another factor which will affect the negotiations is the question of cooperation with other organizations. There are other multilateral and regional organizations like WCO, UNCTAD, World Bank and APEC that have been working on the issue of trade facilitation. Organizations such as the Bank and others have instituted technical assistance programs in the area of trade facilitation for developing economies. Some developing economies have expressed concerns about coordination between existing programs and the possible future work of WTO in the area of trade facilitation. They argue that the new work of WTO should not cut across the existing works of other organizations. Discussions on donor coordination will be particularly important as talks proceed. In this respect, APEC could play a role in facilitating dialogue among members and providing consensus views as discussions continue.

What can APEC do to help advance the WTO talks on trade facilitation? APEC has experience in dealing with many issues related to trade facilitation. It could share its experience in resolving differences between developed and developing economies in trade facilitation. APEC members are very diverse in economic development level. APEC’s contribution to the WTO in trade facilitation could be much larger and important because APEC’s definition of trade facilitation provides a broad context for evaluating work across facilitation areas. Another area where APEC could facilitate dialogue is on priorities in development assistance among members. APEC through its committee structures could discuss various proposals as the talks continue at the WTO. The challenge for the WTO is how to handle the issue of technical assistance and capacity building in order to be successful in advancing the Doha Development Agenda. Consideration could be given to developing new modes of promoting coordination among international organizations in order to increase the effectiveness of technical assistance programs.

6.6 Coordinating APEC’s Trade Facilitation Programs with Other Groups

Although trade facilitation is a somewhat new issue from the perspective of multilateral trade policy reform, for many years various inter-governmental organizations have been working on the issue of trade facilitation. Major organizations that particularly focus on trade facilitation are Asia Pacific Economic Cooperation (APEC), United Nations Conference on Trade and Development (UNCTAD), United Nations Economic Commission for Europe (UNECE), and World Customs Organization (WCO). Among these organizations, APEC’s work on trade facilitation has been quite extensive.

Economic leaders of APEC members have recognized the importance of trade facilitation and thus, from the beginning of APEC, trade facilitation received attention in their annual declarations and APEC’s work programs. More importantly, APEC defines trade facilitation in broad sense, including such issues as business mobility and e-commerce in addition to standards and regulatory reforms, and customs facilitations. Yet, other organizations like UNCTAD, UNECE, WCO and others have been working to improve trade facilitation at the same time. Unfortunately, however, these organizations have worked primarily in parallel tracks, with limited mechanisms for coordination. If these institutions established new consultation mechanisms, they could accomplish more collectively in accelerating trade facilitation goals.

Many inter-governmental organizations are engaged in trade facilitation issues. As shown below, some of these organizations are multilateral ones with large members, while some of them are regional or bilateral ones with fewer members:

Multilateral Organizations Working on Trade Facilitation

- United Nations Conference on Trade and Development (UNCTAD)
- United Nations Economic Commission for Europe (UNECE)
- World Customs Organization (WCO)
- World Trade Organization (WTO)
- World Bank (WB)
- Organization for Economic Cooperation and Development (OECD)
- International Monetary Fund (IMF)
- International Trade Centre UNCTAD/WTO (ITC)
- International Maritime Organization (IMO)
- International Civil Aviation Organization (ICAO)
- United Nations Commission on International Trade Law (UNCITRAL)

Regional Organizations Working on Trade Facilitation

- Asia-Pacific Economic Cooperation (APEC)
- Association of Southeast Asian Nations (ASEAN)
- Asian Development Bank (ADB)
- Asia Europe Meeting (ASEM)
- Inter-American Development Bank (IDB)
- Free Trade Area of Americas (FTAA)
- Common Market of the South (MERCOSUR)
- G-7

Depending on their organizational characteristics, some of these organizations have done a substantial amount of work on a wide range of issues in trade facilitation, while others have only dealt with particular aspects of trade facilitation. Brief summaries of their work on trade facilitation is provided in Appendix E.⁷⁸ There are only limited coordination mechanisms, however, to ensure consistency of programmatic objectives. Developing economies are concerned that new WTO rules on trade facilitation could cut across on-going programs of other organizations like WCO, UNCTAD, World Bank, and others.

APEC, as one of the leading organizations working on trade facilitation, should play a more active role and pursue coordination with other organizations. Such coordination could occur in two areas. One is in the area of developing multilateral trade policy reform measures, and the other is in the area of developing technical assistance and capacity building programs for developing economies. Based on the review of various organizations' work on trade facilitation, the following considerations emerge:

⁷⁸ This section is a brief summary of various organizations' activities in trade facilitation, mainly taken from those organizations' websites and previous summary by the WTO (WTO document G/C/W/80/Rev.1), where more detailed information can be found.

- APEC could more actively pursue coordination with WTO in discussing the multilateral trade facilitation principles and codes. The WTO could also seek APEC's participation and consultation in its work programs. APEC has some of the largest trading economies in the world as its members and APEC's share of global trade was 47% in 2000. In particular, the WTO can benefit in its future work from APEC's experience in dealing with broad trade facilitation issues like business mobility and e-commerce. APEC might host, for example, consultations on technical assistance in the region in advance of the WTO ministerial in 2003 where decisions will be made on launch of negotiations.
- APEC could also work with the WCO. For regulatory reform issues, APEC should work more closely with the OECD, which has done a lot of work in this area. In addition, APEC could address the trade facilitation issues in maritime and air traffic. Not like other typical regional organizations (such as EU, Mercosur, or NAFTA), APEC members line the Pacific coastline and thus require much heavier maritime and air traffic in their intra-regional trade, compared to other land-connected regional arrangements. The maritime and air traffic related trade facilitation issues are not explicitly included in the APEC CAPs. Improving trade facilitation in these areas could reduce transaction costs substantially in intra-regional trade of APEC and help to achieve APEC's current goal of reducing transactions cost of trade by 5% by 2006. For the maritime and air traffic issues, APEC should establish coordinating relationship with the IMO and the ICAO.
- APEC could further strengthen on-going coordination with the World Bank, and other regional financial institutions like ADB and IDB. Most of APEC member economies are members of the ADB and some members of APEC are also members of the IDB. There should be some type of coordination between these organizations to more efficiently design work programs on trade facilitation for developing members. Other development-related issues like the development of small and medium-sized enterprises (SMEs), trade facilitation issues for these enterprises in APEC could be coordinated with organizations like the UNCTAD, which has done a lot of work developing GTPNet, and ITC.

Appendix A: Details for the Trade Facilitation Estimation

AA.1 Data Sets:

The data sets are detailed in Wilson, John S., Catherine Mann, Tsunehiro Otsuki. 2002. "Trade Facilitation and Economic Development: Measuring the Impact," The World Bank (mimeo). They are based on the following original sources:

World Economic Forum, Global Competitiveness Report, 2000. All survey data comes from the World Economic Forum's Executive Opinion Survey. A total of 4022 firms were surveyed. "In order to provide the basis for a comparative assessment on a global basis, it is essential that we interview a sufficient number of senior business leaders in individual economies and that the sample in each economy is not biased in favor of any particular business group. We have taken a number of steps to ensure this. First, we have asked each of our partner institutes, the organizations that administer the surveys in each economy, to start with a comprehensive register of firms. From this, they were asked to choose a sample whose distribution across economic sectors was proportional to the distribution of the economy's labor force across sectors, excluding agriculture. They were then asked to choose firms randomly within these broad sectors (for example, by choosing firms at regular intervals from an alphabetic list), and to pursue face-to-face interviews, following up for clarifications where necessary. The employment distribution was taken from data in the 1998 *Yearbook of Labour Statistics* of the International Labour Office. The respondents to the survey are typically a company's CEO or a member of its senior management."

IMD Lausanne, World Competitiveness Yearbook 2000. The WCY uses a 115 question survey sent to executives in top and middle management of firms in all 49 economies of the WCY. The sample size of each economy is proportional to GDP, and firms "normally have an international dimension." The firms are selected to be a cross section of manufacturing, service, and primary industries. There were 3532 responses to the Survey.

Asia Pacific Foundation of Canada, 1999 Issue Reports on Progress in APEC on Standards and Conformance, Customs Procedures, and the Mobility of Business People. The reports were developed by the APEC Study Center in Canada as a part of the Center's cooperation with the APEC Independent Assessment Network (APIAN) in evaluating the progress of APEC member nations. Data for the study were derived from the Individual Action Plans (IAPs) released in 1999. The information in the IAPs was published by the member countries and presents an official statement of their progress in the respective area of trade facilitation.

Analysis of standards and conformance was supplemented by the information from the report of the CTI Sub-Committee on Standards and Conformance (SCSC) entitled "Progress of Alignment with International Standards in APEC Priority Areas 1998". In the area of customs, additional data were derived from the report of APEC Sub-Committee on Customs Procedures (SCCP) entitled "Blueprint for APEC Customs Modernization 1999".

Economist Intelligence Unit, Country Indicators 2001. Economist Intelligence Unit (EIU) is the business information arm of the Economist Group. EIU country indicators are prepared on an annual basis for 60 economies. Indicators are calculated on the basis of information gathered by the representatives of EIU who reside in the economies on which they

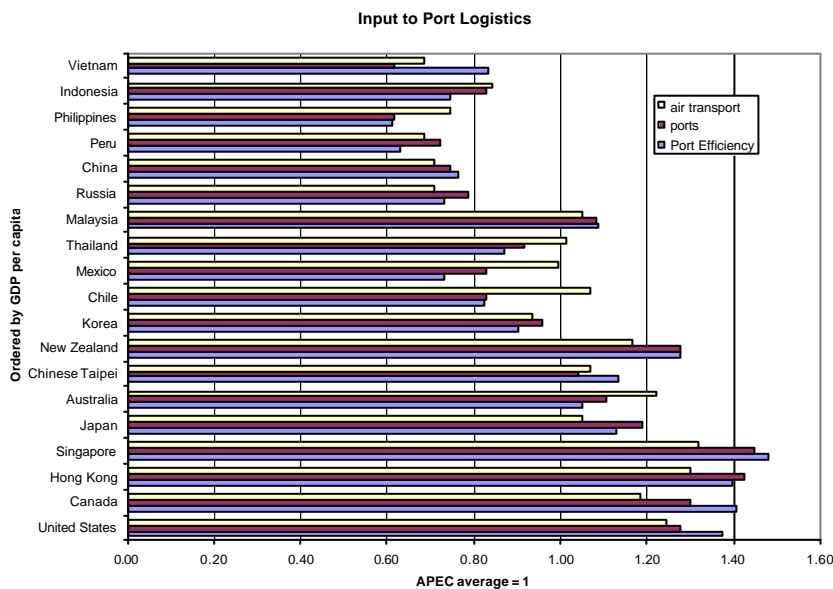
report. These data are interpreted by over 100 analysts in London and occasionally supplemented by information from other international institutions.

Transparency International, the Global Corruption Report. Transparency International is the only international non-governmental organization devoted to studying and fighting corruption. The organization monitors government compliance, corruption levels and transparency of regulations via 80 independent chapters around the world. Results of the monitoring are used to develop economy -specific indices of improper practices. These data are publicly available through the Corruption Online Research and Information System (CORIS), a comprehensive database on corruption and governance.

AA.2 Specific Index Descriptions

Port logistics (pl) is designed to measure infrastructure quality and direct customs costs. It is the average of three indexed original inputs: Port Efficiency Index from Clark, Ximena, David Dollar and Alejandro Micco (2001). "Maritime Transport Costs and Port Efficiency," World Bank Group. From the WEF, "port facilities and inland waterways are extensive and efficient", and "air transport is extensive and efficient" (1=strongly disagree, 7=strongly agree)". Covariance analysis of the three original inputs that create the indicator *port logistics* shows a high correlation among them (0.87 to 0.96) raising the likelihood that the port logistics indicator measures what it purports to.

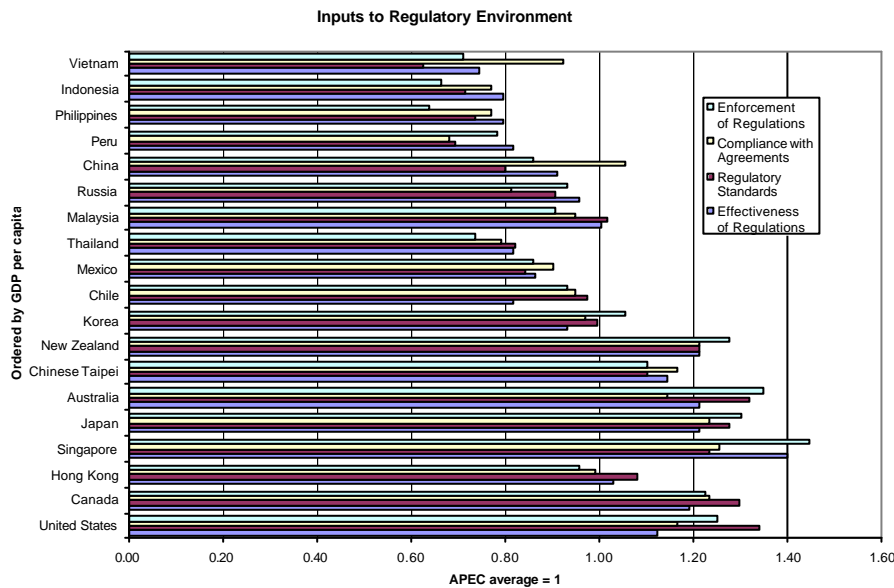
Figure 6.1: Input to Post Logistics



APEC Customs Procedure (APEC_cp) captures the relationship between the APEC process of IAP and CAP and achieving consistent customs procedures within APEC. It is the average of two indexed original inputs, both from the APF Issue Reports: “Number of objectives met out of 12 stated in CAP” and “consistency between IAP and CAP.” The correlation between these two original inputs is 0.44 suggesting some disconnect between the IAP and the CAP process. *(Further work will be devoted to assessing the APF Issue Reports.)*

Regulatory Environment (re) is designed to measure a single economy’s approach to regulations. It is the average of four indexed original inputs from WEF: “Environmental regulations are transparent and stable”; “Regulatory standards (e.g., product, energy, safety, and environmental standards) are among the world’s most stringent.” “Compliance with international environmental agreements is a high priority.” “Environmental regulations are enforced consistently and fairly.” (1=strongly disagree, 7=strongly agree)”. Correlations among the various inputs are above 0.9.

Figure 6.2: Inputs to Regulatory Environment

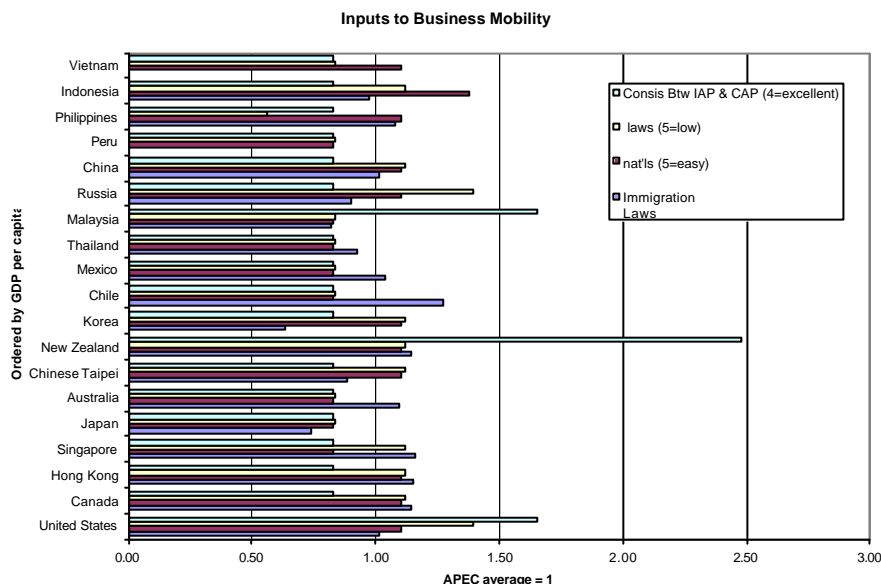


APEC Standards Harmonization (APEC_sc) is designed to measure the extent of harmonization achieved with respect to certain standards and regulations by APEC as a whole through the APEC process. It is the average of two indexed original inputs both from APF Issue Reports: An economy’s percent of equivalent standards in APEC priority areas and areas of full

compliance with 33 CAP objectives. Correlation is 0.43 again suggesting some disconnect between the IAP and the CAP as a measure of harmonization process and achievement.

Business Mobility (bm) is designed to measure how easy it is for professionals to move within APEC. It is the average of the four indexed original inputs: From WCY, “Immigration laws prevent your company from employing foreign labor” on 1-10 scale, 1 is strong agreement; from EIU, “Easy to Hire Foreign Nationals” “Are Labor Laws Restrictive.” From APF Issue Report Business Mobility, “Consistency between IAP and CAP. The correlations among these variables is generally rather low (below 0.2) meaning that these original inputs are not measuring the same thing.

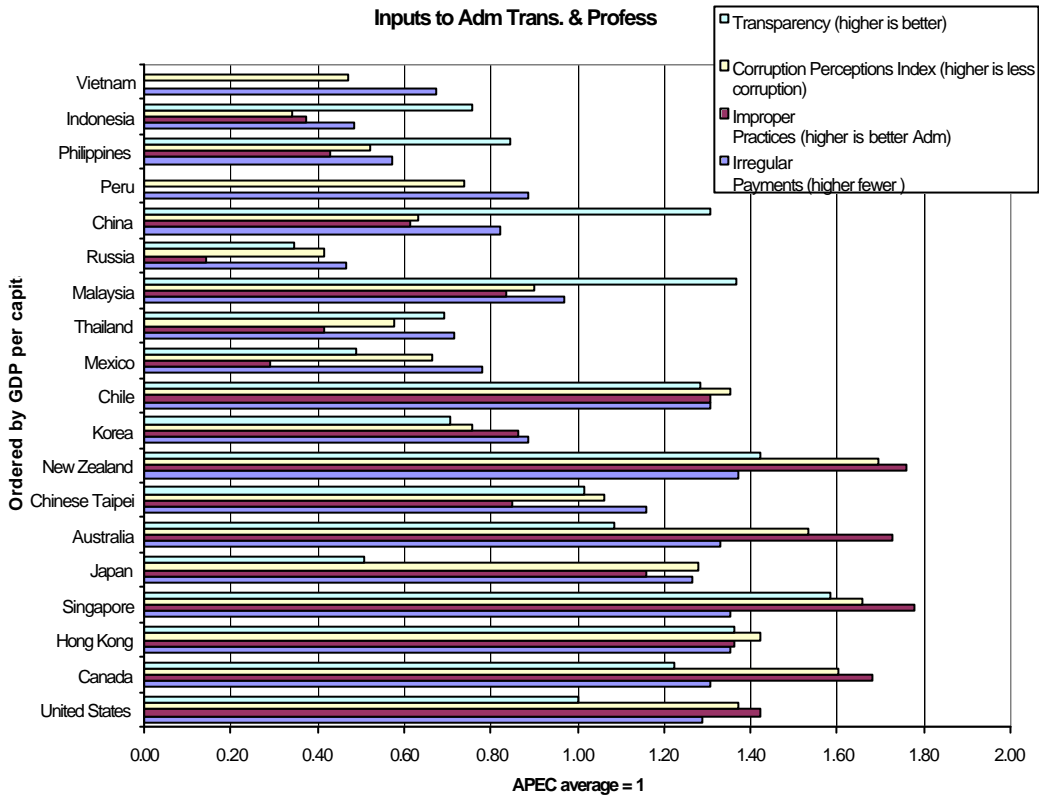
Figure 6.3: Inputs to Business Mobility



E-Business is designed to measure whether an economy is using networked information to improve efficiency and to transform activities to enhance economic activity. It is from WEF, “Percentage of companies that use the Internet for e-commerce.”

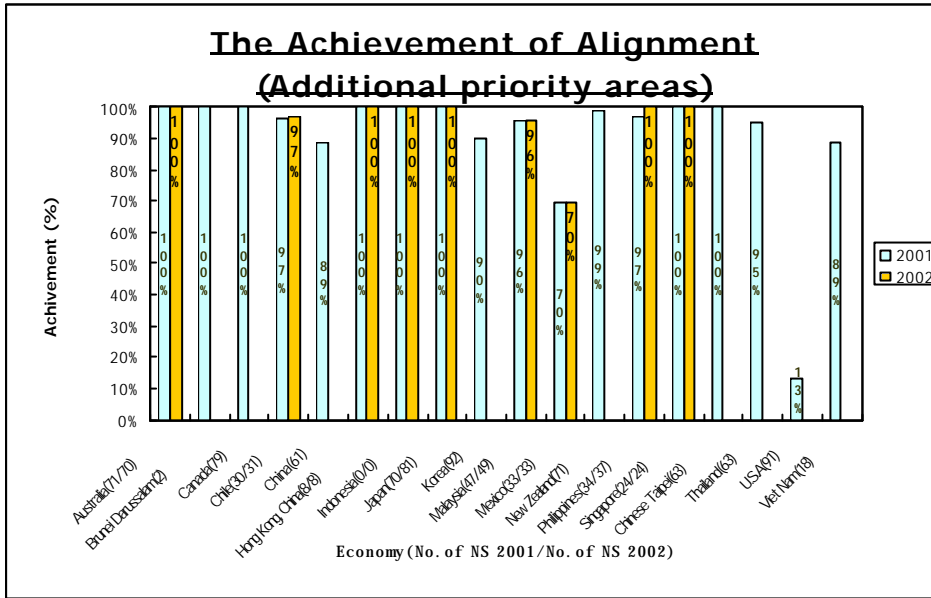
Administrative Transparency and Professionalism (tc) is designed to measure just what it says, and which is relevant for all aspects of trade facilitation. It is the average of 4 indexed original inputs: From WEF, “Irregular, additional payments connected with import and export permits, business licenses, exchange controls, tax assessments, police protection, or loan applications are very rare;” From WCY, “Bribery and corruption exist in the economy” and “Transparency of government policies is poor.” From Transparency International, The Corruption Perception Index”. The correlations among these original inputs is above 0.9 except for the WCY transparency measure.

Figure 6.4: Inputs To Adm. Trans & Profess

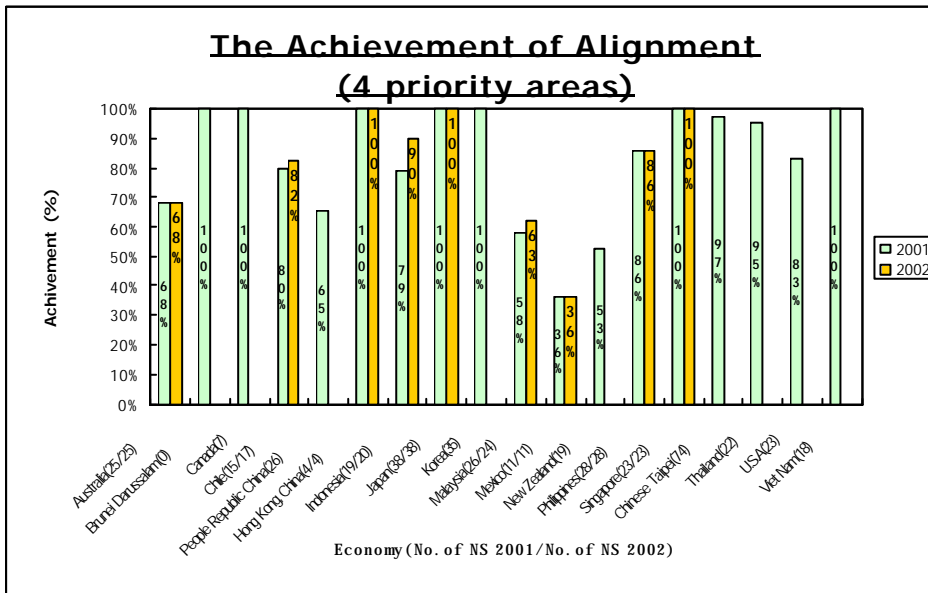


AA.3 Summary of VAP Reports in 2002: Source Asia Pacific Economic Cooperation

*No national standard exists in these priority four areas in Brunei Darussalam



*No national standard exists in additional areas in Indonesia.



A Review of "VAP for Alignment of Standards with International Standards"

1. Priority four areas (Updated in Aug 14, 2002.)

1 Australia

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/02				Number and Rate of Not Completion as of 1st /Jan/02				Number and Rate of Not Applicable as of 1st /Jan/02					
			IDT/MDD		NEQ		IDT/MDD		NEQ		IDT/MDD		NEQ		No information	
Electrical and Electronic Appliance	20	16	7	44%	3	19%	5	31%	0	0%	2	13%	0	0%	0	0%
Food Labeling	4	4	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	4	100%
Rubber Products	10	2	0	0%	0	0%	0	0%	0	0%	2	100%	0	0%	0	0%
Machinery	6	3	0	0%	0	0%	0	0%	0	0%	1	33%	0	0%	2	67%
Total	40	25	7	28%	3	12%	5	20%	0	0%	5	20%	0	0%	6	24%

2 Chile

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /JAN/02				Number and Rate of Not Completion as of 1st /JAN/02				Number and Rate of Not Applicable as of 1st /Jan/02				Number of No information of the alignment degree	
			IDT/MDD		NEQ		IDT/MDD		NEQ		IDT/MDD		NEQ			
Electrical and Electronic Appliance	20	4	4	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Food Labeling	4	3	3	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Rubber Products	10	10	7	70%	0	0%	0	0%	3	30%	0	0%	0	0%	0	0%
Machinery	6	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	40	17	14	82%	0	0%	0	0%	3	18%	0	0%	0	0%	0	0%

3 Hong Kong, China

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/02				Number and Rate of Not Completion as of 1st /Jan/02				Number and Rate of Not Applicable as of 1st /Jan/02				Number of No information of the alignment degree	
			IDT/MDD		NEQ		IDT/MDD		NEQ		IDT/MDD		NEQ			
Electrical and Electronic Appliance	20	3	3	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Food Labeling	4	1	0	0%	0	0%	0	0%	0	0%	1	100%	0	0%	0	0%
Rubber Products	10	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Machinery	6	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	40	4	3	75%	0	0%	0	0%	0	0%	1	25%	0	0%	0	0%

4 Indonesia

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/02				Number and Rate of Not Completion as of 1st /Jan/02				Number and Rate of Not Applicable as of 1st /Jan/02				Number of No information of the alignment degree	
			IDT/MDD		NEQ		IDT/MDD		NEQ		IDT/MDD		NEQ			
Electrical and Electronic Appliance	20	6	6	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Food Labeling	4	4	4	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Rubber Products	10	10	0	0%	0	0%	8	80%	2	20%	0	0%	0	0%	0	0%
Machinery	6	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	40	20	10	50%	0	0%	8	40%	2	10%	0	0%	0	0%	0	0%

5 Japan

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/02				Number and Rate of Not Completion as of 1st /Jan/02				Number and Rate of Not Applicable as of 1st /Jan/02				Number of No information of the alignment degree	
			IDT/MDD		NEQ		IDT/MDD		NEQ		IDT/MDD		NEQ			
Electrical and Electronic Appliance	20	16	15	94%	0	0%	0	0%	0	0%	1	6%	0	0%	0	0%
Food Labeling	4	6	4	67%	0	0%	0	0%	0	0%	2	33%	0	0%	0	0%
Rubber Products	10	10	10	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Machinery	6	6	6	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	40	38	35	92%	0	0%	0	0%	0	0%	3	8%	0	0%	0	0%

6

Malaysia

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/02			Number and Rate of Not Completion as of 1st /Jan/02				Number and Rate of Not Applicable as of 1st /Jan/02				Number of No information of the alignment degree		
			IDT/MDD	NEQ		IDT/MDD	NEQ		IDT/MDD	NEQ						
Electrical and Electronic Appliance	20	10	10	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Food Labeling	4	4	0	0%	0	0%	4	100%	0	0%	0	0%	0	0%	0	0%
Rubber Products	10	10	0	0%	0	0%	1	10%	9	90%	0	0%	0	0%	0	0%
Machinery	6	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	40	24	10	42%	0	0%	5	21%	9	38%	0	0%	0	0%	0	0%

7

Mexico

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/02			Number and Rate of Not Completion as of 1st /Jan/02				Number and Rate of Not Applicable as of 1st /Jan/02				Number of No information of the alignment degree		
			IDT/MDD	NEQ		IDT/MDD	NEQ		IDT/MDD	NEQ						
Electrical and Electronic Appliance	20	8	0	0%	0	0%	3	38%	5	63%	0	0%	0	0%	0	0%
Food Labeling	4	1	0	0%	0	0%	1	100%	0	0%	0	0%	0	0%	0	0%
Rubber Products	10	2	0	0%	0	0%	0	0%	2	100%	0	0%	0	0%	0	0%
Machinery	6	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	40	11	0	0%	0	0%	4	36%	7	64%	0	0%	0	0%	0	0%

8

Philippines

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/02			Number and Rate of Not Completion as of 1st /Jan/02				Number and Rate of Not Applicable as of 1st /Jan/02				Number of No information of the alignment degree		
			IDT/MDD	NEQ		IDT/MDD	NEQ		IDT/MDD	NEQ						
Electrical and Electronic Appliance	20	14	14	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Food Labeling	4	4	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	4	100%
Rubber Products	10	10	10	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Machinery	6	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	40	28	24	86%	0	0%	0	0%	0	0%	0	0%	0	0%	4	14%

9

Singapore

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/02			Number and Rate of Not Completion as of 1st /Jan/02				Number and Rate of Not Applicable as of 1st /Jan/02				Number of No information of the alignment degree		
			IDT/MDD	NEQ		IDT/MDD	NEQ		IDT/MDD	NEQ						
Electrical and Electronic Appliance	20	10	10	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Food Labeling	4	3	3	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Rubber Products	10	9	9	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Machinery	6	1	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	40	23	23	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%

2. Additional priority areas (Updated in Aug 14, 2002.)

1

Australia

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/02				Number and Rate of Not Completion as of 1st /Jan/02				Number and Rate of Not Applicable as of 1st /Jan/02				Number of No information of the alignment degree	
			IDT/MDD	NEQ	IDT/MDD	NEQ	IDT/MDD	NEQ	No information							
IEC 60335s	74	49	0	0%	0	0%	0	0%	49	100%	0	0%	0	0%	0	0%
CISPRs	10	7	0	0%	0	0%	0	0%	7	100%	0	0%	0	0%	0	0%
Additional Priority Areas for Standards and Guidelines	17	14	1	7%	0	0%	0	0%	12	86%	0	0%	0	0%	0	0%
Safety of Information technology equipment	1	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	102	70	1	1%	0	0%	0	0%	68	97%	0	0%	0	0%	0	0%

2

Chile

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/02				Number and Rate of Not Completion as of 1st /Jan/02				Number and Rate of Not Applicable as of 1st /Jan/02				Number of No information of the alignment degree	
			IDT/MDD	NEQ	IDT/MDD	NEQ	IDT/MDD	NEQ	No information							
IEC 60335s	74	17	17	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
CISPRs	10	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Additional Priority Areas for Standards and Guidelines	17	14	13	93%	0	0%	0	0%	1	7%	0	0%	0	0%	0	0%
Safety of Information technology equipment	1	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	102	31	30	97%	0	0%	0	0%	1	3%	0	0%	0	0%	0	0%

3

Hong Kong, China

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/00				Number and Rate of Not Completion as of 1st /Jan/00				Number and Rate of Not Applicable as of 1st /Jan/02				Number of No information of the alignment degree	
			IDT/MDD	NEQ	IDT/MDD	NEQ	IDT/MDD	NEQ	No information							
IEC 60335s	74	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
CISPRs	10	3	2	67%	0	0%	0	0%	1	33%	0	0%	0	0%	0	0%
Additional Priority Areas for Standards and Guidelines	17	4	0	0%	0	0%	0	0%	4	80%	0	0%	0	0%	0	0%
Safety of Information technology equipment	1	1	0	0%	0	0%	0	0%	1	50%	0	0%	0	0%	0	0%
Total	102	8	2	25%	0	0%	0	0%	6	75%	0	0%	0	0%	0	0%

4

Indonesia

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/02				Number and Rate of Not Completion as of 1st /Jan/02				Number and Rate of Not Applicable as of 1st /Jan/02				Number of No information of the alignment degree	
			IDT/MDD	NEQ	IDT/MDD	NEQ	IDT/MDD	NEQ	No information							
IEC 60335s	74	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
CISPRs	10	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Additional Priority Areas for Standards and Guidelines	17	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Safety of Information technology equipment	1	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	102	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%

5

Japan

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/02				Number and Rate of Not Completion as of 1st /Jan/02				Number and Rate of Not Applicable as of 1st /Jan/02				Number of No information of the alignment degree	
			IDT/MDD	NEQ	IDT/MDD	NEQ	IDT/MDD	NEQ	No information							
IEC 60335s	74	62	62	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
CISPRs	10	1	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Additional Priority Areas for Standards and Guidelines	17	17	17	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Safety of Information technology equipment	1	1	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	102	81	81	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%

6

Malaysia

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/02			Number and Rate of Not Completion as of 1st /Jan/02			Number and Rate of Not Applicable as of 1st /Jan/02			Number of No information of the alignment degree or their Standards name				
			IDT/MOD	NEQ		IDT/MOD	NEQ		IDT/MOD	NEQ	No information					
IEC 60335s	74	28	26	93%	0	0%	0	0%	2	7%	0	0%	0	0%	0	0%
CISPRs	10	6	6	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Additional Priority Areas for Standards and Guides	17	15	15	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Safety of Information technology equipment	1	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	102	49	47	96%	0	0%	0	0%	2	4%	0	0%	0	0%	0	0%

7

Mexico

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/00			Number and Rate of Not Completion as of 1st /Jan/00			Number and Rate of Not Applicable as of 1st /Jan/00			Number of No information of the alignment degree				
			IDT/MOD	NEQ		IDT/MOD	NEQ		IDT/MOD	NEQ	No information					
IEC 60335s	74	15	0	0%	0	0%	5	33%	10	67%	0	0%	0	0%	0	0%
CISPRs	10	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Additional Priority Areas for Standards and Guides	17	17	16	94%	0	0%	1	6%	0	0%	0	0%	0	0%	0	0%
Safety of Information technology equipment	1	1	0	0%	0	0%	1	100%	0	0%	0	0%	0	0%	0	0%
Total	102	33	16	49%	0	0%	7	21%	10	30%	0	0%	0	0%	0	0%

8

Philippines

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/02			Number and Rate of Not Completion as of 1st /Jan/02			Number and Rate of Not Applicable as of 1st /Jan/02			Number of No information of the alignment degree				
			IDT/MOD	NEQ		IDT/MOD	NEQ		IDT/MOD	NEQ	No information					
IEC 60335s	74	23	23	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
CISPRs	10	1	1	50%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Additional Priority Areas for Standards and Guides	17	13	13	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Safety of Information technology equipment	1	0	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	102	37	37	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%

9

Singapore

Product Sector	Number of International Reference Standards	Number of Existing National Standards	Number and Rate of Completion as of 1st /Jan/02			Number and Rate of Not Completion as of 1st /Jan/02			Number and Rate of Not Applicable as of 1st /Jan/02			Number of No information of the alignment degree				
			IDT/MOD	NEQ		IDT/MOD	NEQ		IDT/MOD	NEQ	No information					
IEC 60335s	74	13	13	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
CISPRs	10	5	5	100%	0	0%	1	20%	0	0%	0	0%	0	0%	0	0%
Additional Priority Areas for Standards and Guides	17	5	5	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Safety of Information technology equipment	1	1	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	102	24	24	100%	0	0%	1	4%	0	0%	0	0%	0	0%	0	0%

AA.4 Correlation Matrix

	Log of Port Logistics	Log APEC Customs Procedures	Log Regulatory Environment	Log APEC Standards and Conformance	Log Transparency	Log APEC Business mobility	Log E-Business	Log E-Government	Log GNP Importer	Log GNP Exporter	Log GNP per Capita Importer	Log GNP per Capita Exporter	Log distance
Log of Port Logistics	1												
Log APEC Customs Procedures	0.46	1											
Log Regulatory Environment	0.87	0.49	1										
Log APEC Standards and Conformance	0.36	0.63	0.44	1									
Log Transparency	0.81	0.70	0.78	0.44	1								
Log APEC Business mobility	0.53	0.20	0.48	0.27	0.34	1							
Log E-Business	0.50	0.69	0.56	0.37	0.71	0.15	1						
Log E-Government	0.69	0.62	0.79	0.41	0.76	0.37	0.84	1					
Log GNP Importer	0.31	0.26	0.48	0.32	0.11	0.27	0.26	0.38	1				
Log GNP Exporter	-0.01	-0.01	-0.02	-0.01	-0.01	-0.01	-0.01	-0.02	-0.04	1			
Log GNP per Capita Importer	0.87	0.45	0.88	0.43	0.72	0.39	0.42	0.73	0.50	-0.02	1		
Log GNP per Capita Exporter	-0.05	-0.02	-0.05	-0.02	-0.04	-0.02	-0.02	-0.04	-0.02	0.55	-0.05	1	
Log distance	-0.01	0.04	0.04	-0.05	0.05	0.04	-0.01	0.11	0.06	0.00	0.07	0.058	1

Appendix B: Detail Tables for Scenario “Halfway to APEC Average”

Tables B1 and B2: Port Logistics --Experience of Exporters

Manufactured goods – port logistics scenario						
exporter	est. coeff.	Exports to APEC				
		New	initial	change	percent	
PHL	5.22	14.71	14.27	0.44	3.1	
PER	5.22	0.51	0.48	0.03	6.2	
VNM	5.22	1.43	1.32	0.11	8.4	
CHN	5.22	148.32	145.27	3.05	2.1	
RUS	5.22	11.09	7.73	3.36	43.5	
IDN	5.22	15.15	13.75	1.41	10.2	
MEX	5.22	56.80	56.30	0.51	0.9	
CHL	5.22	1.13	0.92	0.20	21.8	
KOR	5.22	78.32	67.12	11.20	16.7	
THA	5.22	25.28	23.77	1.51	6.4	
MYS	5.22	43.61	41.29	2.32	5.6	
TWN	5.22	93.92	79.87	14.05	17.6	
JPN	5.22	318.09	280.06	38.02	13.6	
AUS	5.22	11.58	10.19	1.39	13.6	
NZL	5.22	2.89	2.76	0.13	4.7	
CAN	5.22	105.97	103.88	2.09	2.0	
USA	5.22	333.45	287.04	46.41	16.2	
HKG	5.22	42.46	31.62	10.84	34.3	
SGP	5.22	45.20	41.00	4.20	10.3	
Total		1349.91	1208.64	141.27	11.69	

Agr and Raw Matls--port logistics scenario						
exporter	est. coeff.	Exports to APEC				
		new	initial	change	percent	
PHL	3.78	2.07	2.01	0.07	3.4	
PER	3.78	1.10	0.87	0.24	27.6	
VNM	3.78	1.73	1.51	0.22	14.3	
CHN	3.78	12.40	11.77	0.63	5.4	
RUS	3.78	3.22	2.88	0.34	11.9	
IDN	3.78	5.11	4.77	0.34	7.2	
MEX	3.78	5.32	5.24	0.08	1.5	
CHL	3.78	3.01	2.84	0.17	5.8	
KOR	3.78	3.67	3.30	0.38	11.5	
THA	3.78	8.96	8.26	0.71	8.5	
MYS	3.78	7.63	6.84	0.79	11.5	
TWN	3.78	4.88	4.47	0.41	9.2	
JPN	3.78	4.02	3.44	0.58	16.9	
AUS	3.78	12.00	10.55	1.45	13.7	
NZL	3.78	5.39	4.86	0.53	10.9	
CAN	3.78	21.08	20.17	0.91	4.5	
USA	3.78	50.99	45.37	5.62	12.4	
HKG	3.78	1.04	0.85	0.19	22.9	
SGP	3.78	1.49	1.31	0.18	13.3	
Total		155.11	141.28	13.83	9.79	

Tables B3 and B4: Port Logistics --Experience of Importers

Manufactured goods – port logistics scenario						
importer	Imports to APEC					
	est. coeff.	new	initial	change	percent	
SGP	5.22	63.65	63.65	0.00	0	
HKG	5.22	117.08	117.08	0.00	0.0	
USA	5.22	421.95	421.95	0.00	0.0	
CAN	5.22	116.39	116.39	0.00	0.0	
NZL	5.22	6.96	6.96	0.00	0.0	
AUS	5.22	29.86	29.86	0.00	0.0	
JPN	5.22	105.53	105.53	0.00	0.0	
TWN	5.22	52.44	52.44	0.00	0.0	
MYS	5.22	37.95	37.95	0.00	0.0	
THA	5.22	35.08	29.58	5.49	18.6	
KOR	5.22	62.34	52.44	9.90	18.9	
CHL	5.22	6.60	5.22	1.38	26.4	
MEX	5.22	88.63	61.00	27.64	45.3	
IDN	5.22	24.64	15.14	9.50	62.7	
RUS	5.22	8.51	4.46	4.06	90.9	
CHN	5.22	138.94	72.31	66.62	92.1	
VNM	5.22	0.00	0.00	0.00	0.0	
PER	5.22	4.69	2.35	2.35	100.0	
PHL	5.22	28.68	14.34	14.34	100.0	
Total		1349.91	1208.64	141.27	11.69	

Agr and Raw Matls – port logistics scenario						
importer	Imports to APEC					
	est. coeff.	new	initial	change	percent	
SGP	3.78	4.14	4.14	0.00	0.0	
HKG	3.78	8.60	8.60	0.00	0.0	
USA	3.78	29.47	29.47	0.00	0.0	
CAN	3.78	8.65	8.65	0.00	0.0	
NZL	3.78	0.75	0.75	0.00	0.0	
AUS	3.78	2.13	2.13	0.00	0.0	
JPN	3.78	46.20	46.20	0.00	0.0	
TWN	3.78	5.87	5.87	0.00	0.0	
MYS	3.78	2.83	2.83	0.00	0.0	
THA	3.78	2.75	2.43	0.33	13.5	
KOR	3.78	9.68	8.51	1.17	13.7	
CHL	3.78	0.36	0.30	0.06	19.1	
MEX	3.78	8.19	6.17	2.03	32.8	
IDN	3.78	4.13	2.84	1.29	45.5	
RUS	3.78	3.18	1.91	1.26	65.9	
CHN	3.78	13.49	8.09	5.40	66.8	
VNM	3.78	0.00	0.00	0.00	0.0	
PER	3.78	0.93	0.50	0.44	88.6	
PHL	3.78	3.74	1.89	1.86	98.3	
Total		155.11	141.29	13.82	9.78	

Tables B5 and B6: Standards and Conformance--Experience of Exporters

Manufactured goods--standards and conformance scenario					
exporter	est. coeff.	Exports to APEC			
		new	initial	change	percent
VNM	0.77	1.38	1.32	0.06	4.6
RUS	0.77	7.98	7.73	0.25	3.2
PER	0.77	0.50	0.48	0.02	3.2
HKG	0.77	32.08	31.62	0.46	1.4
THA	0.77	24.76	23.77	0.99	4.1
IDN	0.77	14.34	13.75	0.59	4.3
CHL	0.77	1.01	0.92	0.09	9.7
NZL	0.77	2.83	2.76	0.07	2.5
SGP	0.77	44.29	41.00	3.29	8.0
USA	0.77	296.00	287.04	8.96	3.1
CHN	0.77	170.91	145.27	25.64	17.6
CAN	0.77	106.08	103.88	2.20	2.1
JPN	0.77	296.85	280.06	16.79	6.0
MEX	0.77	57.41	56.30	1.11	2.0
PHL	0.77	14.84	14.27	0.57	4.0
AUS	0.77	10.81	10.19	0.61	6.0
MYS	0.77	43.33	41.29	2.03	4.9
TWN	0.77	86.39	79.87	6.53	8.2
KOR	0.77	71.64	67.12	4.52	6.7
Total		1283.40	1208.64	74.76	6.19

Agr and Raw Matls--standards and conformance scenario					
exporter	est. coeff.	Exports to APEC			
		new	initial	change	percent
VNM	0.48	1.60	1.51	0.08	5.6
RUS	0.48	2.90	2.88	0.02	0.7
PER	0.48	0.88	0.87	0.02	1.9
HKG	0.48	0.85	0.85	0.01	0.7
THA	0.48	8.50	8.26	0.25	3.0
IDN	0.48	4.93	4.77	0.17	3.5
CHL	0.48	2.92	2.84	0.08	2.8
NZL	0.48	5.08	4.86	0.22	4.5
USA	0.48	47.20	45.37	1.83	4.0
SGP	0.48	1.43	1.31	0.12	8.9
CHN	0.48	12.84	11.77	1.07	9.1
CAN	0.48	20.51	20.17	0.33	1.7
JPN	0.48	3.66	3.44	0.23	6.6
MEX	0.48	5.33	5.24	0.08	1.6
PHL	0.48	2.05	2.01	0.05	2.3
AUS	0.48	10.85	10.55	0.30	2.8
MYS	0.48	7.06	6.84	0.21	3.1
TWN	0.48	4.61	4.47	0.14	3.2
KOR	0.48	3.45	3.30	0.15	4.5
Total		146.63	141.28	5.34	3.78

Tables B7 and B8: Standards and Conformance— Experience of Importers

Manufactured goods--standards and conformance scenario					
importer	est. coeff.	Imports to APEC			
		new	initial	change	percent
KOR	0.77	52.44	52.44	0.00	0.0
TWN	0.77	52.44	52.44	0.00	0.0
MYS	0.77	37.95	37.95	0.00	0.0
AUS	0.77	29.86	29.86	0.00	0.0
PHL	0.77	14.34	14.34	0.00	0.0
MEX	0.77	61.00	61.00	0.00	0.0
JPN	0.77	105.53	105.53	0.00	0.0
CAN	0.77	116.39	116.39	0.00	0.0
CHN	0.77	72.32	72.31	0.01	0.0
USA	0.77	429.11	421.95	7.16	1.7
NZL	0.77	7.08	6.96	0.12	1.7
SGP	0.77	64.73	63.65	1.08	1.7
CHL	0.77	5.86	5.22	0.64	12.2
IDN	0.77	17.24	15.14	2.10	13.8
THA	0.77	38.13	29.58	8.55	28.9
HKG	0.77	166.39	117.08	49.31	42.1
PER	0.77	3.69	2.35	1.35	57.4
VNM	0.77	0.00	0.00	0.00	0.0
RUS	0.77	8.92	4.46	4.46	100.0
Total		1283.40	1208.64	74.76	6.19

Agr and Raw Mats--standards and conformance scenario					
importer	est. coeff.	Imports to APEC			
		new	initial	change	percent
KOR	0.48	8.51	8.51	0.00	0.0
TWN	0.48	5.87	5.87	0.00	0.0
MYS	0.48	2.83	2.83	0.00	0.0
AUS	0.48	2.13	2.13	0.00	0.0
PHL	0.48	1.89	1.89	0.00	0.0
MEX	0.48	6.17	6.17	0.00	0.0
JPN	0.48	46.20	46.20	0.00	0.0
CAN	0.48	8.65	8.65	0.00	0.0
CHN	0.48	8.09	8.09	0.00	0.0
USA	0.48	29.79	29.47	0.31	1.1
NZL	0.48	0.76	0.75	0.01	1.1
SGP	0.48	4.19	4.14	0.04	1.1
CHL	0.48	0.33	0.30	0.02	7.6
IDN	0.48	3.08	2.84	0.25	8.6
THA	0.48	2.87	2.43	0.44	18.1
HKG	0.48	10.86	8.60	2.26	26.3
PER	0.48	0.67	0.50	0.18	35.9
VNM	0.48	0.00	0.00	0.00	0.0
RUS	0.48	3.74	1.91	1.83	95.6
Total		146.63	141.29	5.34	3.78

Tables B9 and B10: E-business—Experience of Exporters

Manufactured goods – e-business scenario					
exporter	est. coeff.	Exports to APEC			
		new	initial	change	percent
RUS	0.28	7.81	7.73	0.08	1.1
THA	0.28	23.88	23.77	0.11	0.5
MEX	0.28	56.33	56.30	0.04	0.1
CHL	0.28	0.94	0.92	0.01	1.3
MYS	0.28	41.55	41.29	0.26	0.6
IDN	0.28	13.87	13.75	0.12	0.9
PHL	0.28	14.37	14.27	0.10	0.7
JPN	0.28	282.74	280.06	2.68	1.0
NZL	0.28	2.78	2.76	0.01	0.5
PER	0.28	0.49	0.48	0.00	0.9
KOR	0.28	67.75	67.12	0.63	0.9
HKG	0.28	31.80	31.62	0.18	0.6
VNM	0.28	1.34	1.32	0.02	1.5
CHN	0.28	145.92	145.27	0.65	0.4
TWN	0.28	80.46	79.87	0.60	0.7
SGP	0.28	41.58	41.00	0.58	1.4
AUS	0.28	10.31	10.19	0.11	1.1
CAN	0.28	104.06	103.88	0.18	0.2
USA	0.28	292.98	287.04	5.94	2.1
Total		1220.95	1208.64	12.30	1.02

Agr and Raw Matls – e-business scenario					
exporter	est. coeff.	Exports to APEC			
		new	initial	change	percent
RUS	0.63	2.93	2.88	0.06	2.0
THA	0.63	8.41	8.26	0.15	1.8
MEX	0.63	5.26	5.24	0.02	0.4
CHL	0.63	2.90	2.84	0.06	1.9
MYS	0.63	7.02	6.84	0.17	2.5
IDN	0.63	4.89	4.77	0.12	2.6
PHL	0.63	2.03	2.01	0.03	1.4
JPN	0.63	3.52	3.44	0.09	2.5
NZL	0.63	5.00	4.86	0.14	3.0
PER	0.63	0.88	0.87	0.02	2.0
KOR	0.63	3.39	3.30	0.09	2.8
HKG	0.63	0.86	0.85	0.01	1.4
VNM	0.63	1.56	1.51	0.05	3.0
CHN	0.63	12.09	11.77	0.32	2.7
TWN	0.63	4.59	4.47	0.12	2.8
SGP	0.63	1.35	1.31	0.04	2.7
AUS	0.63	10.83	10.55	0.28	2.7
CAN	0.63	20.40	20.17	0.22	1.1
USA	0.63	47.38	45.37	2.01	4.4
Total		145.28	141.28	4.00	2.83

Tables B11 and B12: E-business—Experience of Importers

Manufactured goods – e-business scenario					
importer	est. coeff.	Imports to APEC			
		new	initial	change	percent
USA	0.28	421.95	421.95	0.00	0.0
CAN	0.28	116.39	116.39	0.00	0.0
AUS	0.28	29.86	29.86	0.00	0.0
SGP	0.28	63.65	63.65	0.00	0.0
TWN	0.28	52.44	52.44	0.00	0.0
CHN	0.28	72.31	72.31	0.00	0.0
HKG	0.28	117.08	117.08	0.00	0.0
VNM	0.28	0.00	0.00	0.00	0.0
KOR	0.28	52.44	52.44	0.00	0.0
PER	0.28	2.35	2.35	0.00	0.0
NZL	0.28	7.01	6.96	0.05	0.7
JPN	0.28	106.63	105.53	1.10	1.0
PHL	0.28	14.60	14.34	0.26	1.8
IDN	0.28	15.51	15.14	0.37	2.4
MYS	0.28	39.22	37.95	1.27	3.3
CHL	0.28	5.41	5.22	0.19	3.6
MEX	0.28	65.74	61.00	4.75	7.8
THA	0.28	33.17	29.58	3.58	12.1
RUS	0.28	5.20	4.46	0.74	16.5
Total		1220.95	1208.64	12.30	1.02

Agr and Raw Matls – e-business scenario					
importer	est. coeff.	Imports to APEC			
		new	initial	change	percent
USA	0.63	29.47	29.47	0.00	0.0
CAN	0.63	8.65	8.65	0.00	0.0
AUS	0.63	2.13	2.13	0.00	0.0
SGP	0.63	4.14	4.14	0.00	0.0
TWN	0.63	5.87	5.87	0.00	0.0
CHN	0.63	8.09	8.09	0.00	0.0
VNM	0.63	0.00	0.00	0.00	0.0
HKG	0.63	8.60	8.60	0.00	0.0
KOR	0.63	8.51	8.51	0.00	0.0
PER	0.63	0.50	0.50	0.00	0.0
NZL	0.63	0.76	0.75	0.01	1.6
JPN	0.63	47.28	46.20	1.08	2.3
PHL	0.63	1.96	1.89	0.08	4.1
IDN	0.63	2.99	2.84	0.15	5.4
MYS	0.63	3.05	2.83	0.21	7.5
CHL	0.63	0.33	0.30	0.03	8.1
MEX	0.63	7.24	6.17	1.08	17.4
THA	0.63	3.09	2.43	0.66	27.1
RUS	0.63	2.62	1.91	0.71	37.1
Total		145.29	141.29	4.00	2.83

Table B13: Transparency and Professionalism-Experience of Exporters

Manufactured goods – transparency and professionalism					
		Exports to APEC			
Exporter	est. coeff.	new	initial	change	percent
RUS	0.45	8.02	7.73	0.30	3.9
IDN	0.45	13.94	13.75	0.19	1.4
MEX	0.45	56.35	56.30	0.06	0.1
VNM	0.45	1.35	1.32	0.03	2.3
PHL	0.45	14.38	14.27	0.11	0.8
THA	0.45	23.97	23.77	0.20	0.8
KOR	0.45	68.64	67.12	1.52	2.3
PER	0.45	0.49	0.48	0.01	1.2
CHN	0.45	146.33	145.27	1.06	0.7
MYS	0.45	41.79	41.29	0.50	1.2
TWN	0.45	81.39	79.87	1.53	1.9
JPN	0.45	286.88	280.06	6.81	2.4
USA	0.45	300.15	287.04	13.11	4.6
CHL	0.45	0.95	0.92	0.03	3.3
HKG	0.45	32.37	31.62	0.75	2.4
AUS	0.45	10.49	10.19	0.30	2.9
CAN	0.45	104.32	103.88	0.44	0.4
NZL	0.45	2.79	2.76	0.02	0.9
SGP	0.45	41.95	41.00	0.96	2.3
Total		1236.56	1208.64	27.92	2.31

Table B14: Transparency and Professionalism-Experience of Importers

Manufactured goods – transparency and professionalism					
		Imports to APEC			
Importer	est. coeff.	new	initial	change	percent
SGP	0.45	63.65	63.65	0.00	0.0
NZL	0.45	6.96	6.96	0.00	0.0
CAN	0.45	116.39	116.39	0.00	0.0
AUS	0.45	29.86	29.86	0.00	0.0
HKG	0.45	117.08	117.08	0.00	0.0
CHL	0.45	5.22	5.22	0.00	0.0
USA	0.45	421.95	421.95	0.00	0.0
JPN	0.45	105.53	105.53	0.00	0.0
TWN	0.45	52.44	52.44	0.00	0.0
MYS	0.45	37.95	37.95	0.00	0.0
CHN	0.45	75.05	72.31	2.74	3.8
PER	0.45	2.46	2.35	0.11	4.8
KOR	0.45	55.11	52.44	2.68	5.1
THA	0.45	33.85	29.58	4.27	14.4
PHL	0.45	16.49	14.34	2.15	15.0
VNM	0.45	0.00	0.00	0.00	
MEX	0.45	71.62	61.00	10.63	17.4
IDN	0.45	18.60	15.14	3.46	22.8
RUS	0.45	6.35	4.46	1.90	42.5
Total		1236.56	1208.64	27.92	2.31

Appendix C: Detail Tables Summary of Progress in APEC Trade Facilitation

Table C1: Summary of Progress in developing APEC Members on Standards, 1999

Table specifies for each CAP goal the number of developing APEC Members that have indicated compliance, work in progress, supplied no information or for whom the particular goal is not applicable (N/A) in their 1999 IAPs. Parentheses have developed APEC Members' figures. Shaded cells referred to in main body of this Chapter.

OAA Objective	CAP Goal	Time Frame	Complied	Work in Progress	No Info	N/A
1. Alignment						
APEC economies will align their mandatory and voluntary standards with international standards.	Member economies to align their standards with international standards in the following priority areas: electrical and electronic appliances (air conditioners, televisions, refrigerators, radios and their parts and video apparatus); food labeling; rubber gloves and condoms; and machinery.	1996 to 2000/ 2005	0	4	3	0
	Member economies to align their standards with international standards in the additional priority area of electrical and electronic equipment to include all electrical safety (IEC 60335) and relevant EMC (CISPR) standards.	1998 to 2004/ 2008	0	2	5	0
	Member economies to continue identifying additional priority areas for alignment with international standards.	From 1997	5	0	2	0
	Member economies to actively participate in the standardization activities of international standardization bodies (ISO & IEC) in the following priority sectors: building and construction and hazardous area equipment.	From 1996	0	1	6	0
	Member economies to participate in <i>ad-hoc</i> technical groups, which work with PASC in developing coordinated regional input into the development of international standards in selected areas.	From 1997	0	0	7	0
	Member economies will continue to develop a Guide to Good Regulatory Practice.	From 1998	0	1	6	0
	Member economies to convene an Ad Hoc Working Group meeting on the Guide to Good Regulatory Practice	Feb 2000	0	0	0	7
APEC economies will conduct a comprehensive review of progress on alignment with international standards.	Member economies to conduct comprehensive reviews of their alignment work.	2000 and 2005	0	0	0	7
	Member economies to continue to report on the progress in aligning their standards with international standards	From 1998	0	4	3	0

OAA Objective	CAP Goal	Time Frame	Complie d	Work in Progress	No Info	N/A
2. Recognition of Conformity Assessment						
Achieve mutual recognition among APEC economies of conformity assessment in regulated and voluntary sectors.	Regulated Sector:					
	Member economies to develop bilateral, multi-sectoral, and plurilateral mutual recognition arrangements.	From 1997	0	6	1	0
	Member economies to consider participation in the <i>Arrangement for the Exchange of Information on Toy Safety</i>	From 1996 (15 economies)	2	0	5	0
	Member economies to improve the effectiveness of the <i>Arrangement for the Exchange of Information on Toy Safety</i>	From 1999	0	0	7	0
	Member economies to consider participation in the <i>APEC Mutual Recognition Arrangement on Conformity Assessment of Foods and Food Products</i> .	From 1997 (6 economies)	2	0	5	0
	Member economies to consider participation in the <i>APEC Mutual Recognition Arrangement on Conformity Assessment of Electrical and Electronic Equipment</i> .	From 1999	1	0	6	0
	Member economies to consider participation in the <i>APEC Arrangement for the Exchange of Information on Food Recalls</i> .	From 1999	0	0	7	0
	Member economies agreed to review the implementation and use of the mutual recognition arrangements.	From 1998	3	0	4	0
	Member economies to continue to further consider additional priority areas for MRA in the regulated sector.	From 1997	4	0	3	0
	Member economies to consider alternative mechanisms to facilitate the recognition of conformity assessment results	From 1999	0	0	7	0
	Voluntary Sector:					
	Member economies to enter into mutual recognition agreements (bilateral and multilateral) in cooperation with Specialist Regional Bodies, where applicable.	1996 to 2000/2005	0	4	3	0
Member economies to encourage participation in APLAC-MRA and PAC MRA.	From 1998	4	0	3	0	

OAA Objective	CAP Goal	Time Frame	Complie d	Work in Progress	No Info	N/A
3. Technical Infrastructure Development						
Promote cooperation for technical infrastructure development to facilitate broad participation in mutual recognition arrangements in both regulated and voluntary sectors.	Member economies to identify specific requirements, assistance and/or activities for technical infrastructure development.	From 1996	1	1	5	0
	Member economies to consider the provision of assistance for the improvement of other economies' technical infrastructure.	From 1996	0 (6)	1 (0)	5 (7)	1 (0)
	Member economies to undertake specific follow-up activities from among those recommended in the report of the survey.	From 1998	0	0	7	0
	Member economies to undertake the following technical infrastructure projects: -Training Seminar on ISO/IEC Guides 65 & 62; -Mutual Recognition Arrangement(MRA) Readiness Project; -Joint HRD WG/SCSC IQAS II project; -Quality Systems for Calibration Services at National Measurement Institutes.	From 1999	0	0	7	0
	Member economies to conduct reviews of the mid-term Technical Infrastructure Development Program implementation.	Medium to long-term	0 (0)	0 (0)	0 (0)	7 (13)
	Member economies to strengthen participation in Specialist Regional Bodies activities.	From 1996	0	3	4	0
	Member economies to participate in Partners for Progress (PFP) projects on standards and conformity assessment schemes.	1997-2001	0	0	7	0
OAA Objective	CAP Goal	Time Frame	Complie d	Work in Progress	No Info	N/A
4. Transparency						
Ensure the transparency of the standards and conformity assessment of APEC economies	Member economies to update <i>the APEC Contact Points for Standards and Conformance Information</i> , including member economies' participants in the Specialist Regional Bodies and member economies SCSC Contact Points. Member economies agreed that this information should be maintained on the APEC Secretariat's homepage.	From 1997	2	0	5	0
	Member economies to endeavor to establish Internet websites to disseminate standards and conformance information.	From 1997	4	0	3	0
	Member Economies to develop a database on conformity assessment operators and their activities/services offered and establish an APEC Cooperation Centre for Conformity Assessment.	From 1999	0	1	6	0

Cross-Cutting Activities						
5. Closer Links with the Business Sector						
	Member economies to develop a work program on trade facilitation in information technology products in response to a proposal from the Information Technology Industry Council.	From 1999	0	0	7	0
6. Cooperation with Specialist Regional Bodies						
	Member economies to develop, with the Specialist Regional Bodies, a Statement of Commitment to Mutually Agreed Objectives between the SCSC and the Specialist Regional Bodies.	2000	0	0	0	7
7. Cooperation with International Bodies						
	Member economies to hold a forum in conjunction with IEC.	Feb 2000	0	0	0	7

Aggregate Figures	Compl ied	Work in Progress	No Info	N/A
Column Totals				
7 Developing APEC Members	28	27	139	36
13 Developed APEC Members	77	83	207	63
Percentage:				
7 Developing APEC Members (Column Total/33 CAP goals x 7 Members)	12%	12%	60%	16%
13 Developed APEC Members (Column Total/33 CAP goals x 13 Members)	18%	19%	48%	15%

Appendix D: Summary of APEC's Progress in Selected Areas of Trade Facilitation

Table D1: Summary of Progress in APEC on Customs Procedures, 1999

	Kyoto Convention	UN/EDIFACT	WTO Valuation Agreement	TRIPS	Clear Appeal Provisions	Advance Classification Ruling System	Temporary Importations	Common Data Elements	Risk Management	Express Consignments Clearance
Targets	1998	1999	2000	2000	2000	2000	2000	1999	2002	2000
Australia	.	1999	.	.	.	.	.	1999	.	.
Brunei Darussalam		2000	2000	2000	2000	2000	2000	1999	2002	2002
Canada	.	.	.	.	.	.	.	1999	.	.
Chile	(a) **	.	2000	2000	.	.	2000	1999	.	.
People's Republic of China	.	1999	+	.	.	1999	.	1999	2002	2000
Hong Kong, China	(a) **	.	N/A	.	.	N/A	.	1999	.	.
Indonesia	**	.	2000	.	.	.	.	1999	2002	.
Japan	.	1999	.	.	.	.	.	1999	.	.
Republic of Korea	.	.	.	.	.	.	.	1999	2002	2000
Malaysia	**	.	2000	2000	.	.	.	1999	2002	2000
Mexico	.	.	.	.	.	.	1999	1999	2002	2000
New Zealand	.	1999	.	.	.	.	.	1999	2002	2000
Papua New Guinea	**	.	.	2000	2000	2000	2000	1999	2002	2000
Peru	.	1999	2000	2000	.	.	2000	1999	2002	2000
Republic of Philippines	**	1999	.	.	.	.	.	1999	2002	2000
Singapore	**	.	.	.	.	.	.	1999	.	.
Chinese Taipei	**	.	.	.	.	2000	2000	1999	2002	2000
Thailand	**	.	2000	.	.	.	.	1999	2002	2000
United States	.	.	.	.	.	.	.	1999	2002	2000

Table based on the 1999 Sub-Committee on Customs Procedures report *Blueprint for APEC Customs Modernization*. . = measure implemented

** = implementation subject to progress in WCO

+ = implementation subject to China's accession to WTO

- Please note that all Members have implemented the two CAP goals concerning the HS Convention (1996) and Public Availability of Information (1998).

Table D2: Summary of Progress in developing APEC Members on Business Mobility, 1999

Table specifies for each CAP goal the number of developing APEC Members that have indicated compliance, work in progress, supplied no information or for whom the particular goal is not applicable (N/A) in their 1999 IAPs. Parentheses have developed APEC Members' figures. Shaded cells referred to in main body of this Chapter.

CAP Objectives	Target Date	Complied	Work In Progress	No Info	N/A
1. Information Exchange					
Survey member's regulations and requirements relating to temporary residency of business people	1998-99	3	1	3	0
Regularly update APEC Handbook for Business Travel on the Internet regarding short-term travel requirements	1999-ongoing	0	0	7	0
Add information on member's requirements on temporary residency as survey is completed	1999-ongoing	0	0	7	0
Facilitate policy dialogue between border management and other relevant officials on regulatory regimes regarding short-term travel and temporary residency	1999-ongoing	1	0	6	0
2. Cooperation in Streamlining Business Travel					
Provision of technical assistance on travel document fraud	1999-2000	0 (0)	0 (1)	7 (12)	0 (0)
Participant in APEC Business Travel Card permanent project	established 3/1999	1	2	0	4
3. Cooperation in Temporary Residency Arrangements					
Develop mechanisms for cooperation in implementation of plan to raise service standards to commence pending final agreement	1999-2000	0	0	7	0
4. Business Community Cooperation					
Engage in dialogue with ABAC and business representatives on impediments to business mobility	ongoing	0	1	6	0
Encourage feedback from the representatives on utility of Handbook	ongoing	0	0	7	0
Aggregate Figures		Complied	Work in Progress	No Info	N/A
Column Totals					
7 Developing APEC Members		5	4	50	4
13 Developed APEC Members		12	19	80	6
Percentage:					
7 Developing APEC Members (Column Total/9 CAP goals x 7 Members)		8%	6%	79%	6%
13 Developed APEC Members (Column Total/9 CAP goals x 13 Members)		10%	16%	68%	5%

Source: Asia Pacific Foundation of Canada (2000).

Table D3: Examples of CAP Implementation in Trade Facilitation—Standards & Conformance

Selected Collective Actions, 1996-2001	Selected Projects Undertaken and Fora	Total Funding Levels ⁷⁹	Approach
<i>Develop Guide on Alignment of Member Economies' Standards with International Standards</i>	CTI 01/1996: APEC Guide for Alignment of Standards with International Standards by CTI	\$5K	Guides/Best Practice Manuals/Blueprints
Develop database by 2005 on: i) Standards and Conformance systems of APEC economies; ii) accredited testing/calibration laboratories, quality systems certification, registration and accreditation bodies; iii) the status of mutual recognition arrangements; and iv) the status of alignment of APEC economies' standards with international standards	CTI 11/2000T, CTI 08/2001T: TIC-CAR Database Project through the APEC Cooperation Centre for Conformity Assessment by CTI	\$389K	Database/Software Development
Develop and implement elective model MRA on conformity assessment for Telecommunications	TEL 01/2000T: MRA-HRD Delivery Project: Orienting and Training Regulators for MRA Implementation by Telecom Working Group	\$293K	Technical Assistance, Training, Study/Expert Visits
Complete the Road Transportation Harmonization Project (RTHP) and encourage the development of mutual recognition arrangements for road vehicles	TPT 01/1996, TPT 02/1999, TPT 02/1998, TPT 01/2000: Various phases of Road Transportation Harmonization Project by Transportation WG	\$164K	Technical Assistance, Training, Study/Expert Visits; Seminars/Workshops
Active participation in international standardization bodies such as ISO and IEC in variety of sectors such as: building construction, hazardous area equipment, environmental management standards, bulk pharmaceuticals, etc	CTI 24/2001T: APEC/SCSC Training Programs on Standards and Conformance for 2001 and 2002 by CTI	\$174K	Seminars/Workshops

Source: APEC Project Database and Osaka Action Agenda. Shaded cells referred to in main body of this Chapter.

⁷⁹ Total Funding refers to funding from all sources including Self-Funding as reported in the APEC Project Database.

Table D4: Examples of CAP Implementation in Trade Facilitation-- Customs

Selected Collective Actions, 1996-2001	Selected Projects Undertaken and Fora	Total Funding Levels ⁸⁰	Approach
APEC economies will smoothly implement the 1996 version of HS and prepare for adoption or abiding by the principles of the next version of Harmonized System to be put into force in 2002.	CTI 14/2001, CTI 06/2000T, CTI 23/1999T, CTI 09/1998T: SCCP Program to Implement HS Convention	\$298K	Technical Assistance
Harmonize Customs Valuation System by adopting or abiding by the principles of the Agreement on Implementation of Article VII of the GATT 1994 (Customs Valuation Agreement) by 2000, while encouraging further acceleration, if possible, through technical assistance.	CTI 14/1999T, CTI 02/1998T, CTI 01/1997T: SCCP Program to Implement WTO Valuation Agreement	\$976K	Technical Assistance
To focus Customs enforcement efforts on high-risk goods and travellers and facilitate the movement of low-risk shipments, through a flexible approach tailored to each APEC economy. Adoption of and support for the UN Electronic Messaging Standard for automated systems (UN/EDIFACT), to promote an electronic highway for business.	CTI 08/1999T, CTI 07/2000T, CTI 02/2001T: SCCP Program to Implement Risk Management CTI 02/1997T, CTI 03/1998T, CTI 12/1999T: SCCP Program to implement UN/EDIFACT Electronic Message Standards	\$565K	Technical Assistance
Port Experts Group created at the Transport Ministerial Meeting in June 1997 with the objective of improving port efficiency through exchange of information and expertise among port experts and programs to improve port capacities in the APEC region.	TPT 01/1999: Port Data Project by Transportation Working Group	\$18K	Databases/Software Development

Source: APEC Project Database and Osaka Action Agenda. Shaded cells referred to in main body of this Chapter.

⁸⁰ Total Funding refers to funding from all sources including Self-Funding as reported in the APEC Project Database.

Table D5: Examples of CAP Implementation in Trade Facilitation— Mobility of Business People

Selected Collective Actions, 1996-2001	Selected Projects Undertaken and Fora	Total Funding Levels ⁸¹	Approach
APEC Economies will examine the possibility of setting the scope for regional cooperation aimed at streamlining and accelerating: - processing of visas for short-term business travel	CTI 02/1999T: APEC Immigration Training and Technical Assistance Project by CTI	\$102K	Technical Assistance
	CTI 18/2000T: APEC Capacity Building in Immigration Facilitation Techniques by CTI	\$126K	
APEC Economies will exchange information on regulatory regimes in regard to the mobility of business people in the region	CTI 08/1996: Publication of Handbook on Members' Short-Term Business Travel Requirements by CTI	\$8K	Guides, Best Practices Manuals, Blueprints
	TPT 02/2000, TPT 01/2001: Towards Mutual Recognition of Transport Professional Qualifications by Transportation Working Group	\$68.1K	Surveys, Studies, Needs Analysis
	CTI 30/1999T: APEC Directory on Professional Services, Phase I	\$7K	Databases/Software
APEC Economies will facilitate policy dialogue between border management and other relevant officials on regulatory regimes relating to short-term travel and business residency	HRD 12/1999S: Workshop on International Migration & its policy in APEC Members	n/a	Seminars/Conferences/Workshops

Source: APEC Project Database and Osaka Action Agenda. . Shaded cells referred to in main body of this Chapter.

⁸¹ Total Funding refers to funding from all sources including Self-Funding as reported in the APEC Project Database.

Appendix E: The WTO and Trade Issues Before Doha

AE.1 Postwar Trade Policy Reform And GATT

Under the auspices of the GATT, the foundation of the postwar international trade regime was built to achieve freer trade, contributing to a tremendous expansion in international trade volume and an era of unprecedented global economic growth. The original GATT negotiations in the mid-1940s were conducted on a selected product-by-product basis with principles of most-favored-nation, reciprocity and mutually advantage. Negotiations were multilateral and conducted between principal suppliers and primarily dealt with reducing tariffs. In fact, the binding of an already low tariff was regarded as equivalent to the substantial reduction of a high tariff. The multilateral approach, as opposed to the bilateral approach of pre-war period, was seen as beneficial to participants because they could reap the benefits of concessions granted by other participants over and above direct concessions they may have granted.

In the beginning, the GATT was not effective in efforts to further promote more open world trade. The institution confronted problems in its initial attempt to negotiate an expanded multilateral trade agreement. For members of the GATT, it was still a new experience to negotiate a trade agreement multilaterally although they went through the initial experience of negotiating multilaterally in the process of negotiating the original GATT agreement after the war. It was more complicated than bilateral negotiating experience they had previously. In addition, the U.S. negotiators, who led the post-war multilateral trade negotiations, had limitations in their negotiating authority because, in 1948, the U.S. Congress imposed peril points for tariff rates of each industry.⁸² The U.S. negotiators could not negotiate tariff-cuts below the peril points. This restricted U.S. negotiating authority and was a significant negative factor in negotiating further expansion of the GATT.⁸³

It was not until the 1962, when the peril points were removed in the process of enacting the Trade Expansion Act, that the GATT made meaningful progress during the Kennedy Round. As a result, although there were a few attempts to further improve the GATT system, which were known as the Anncey (1949), Torquay (1950-51), Geneva (1955-56), and Dillon (1960-61) Rounds, negotiations failed to produce significant results. The early GATT rounds primarily focused on further tariff reductions and the accession of economies to the GATT system.⁸⁴ During this period, many European economies stopped invoking the balance-of-payments exceptions rule under the GATT and quantitative restrictions were lifted. The Dillon Round⁸⁵ followed the creation of the European Economic Community (EEC) and resulted in some tariff concessions, but at the same time it was recognized during this Round that future negotiations

⁸² These peril points were removed temporarily in 1949 when the U.S. Congress faced a criticism that they were limiting the administration's negotiating capacity. But the peril points were revived in 1951 when the Congress renewed the administration's trade negotiation authority.

⁸³ Dobson (1976).

⁸⁴ During the Anncey negotiations, 11 more economies acceded to the GATT, and the West Germany joined the GATT during the Torquay Round.

⁸⁵ The Dillon Round was named after C. Douglas Dillon, who led the effort to come up with a multilateral trade agreement as the U.S. Under Secretary of State at the time.

would have to deal with non-tariff barriers and the problems of trade barriers in agricultural products.

AE.2 GATT Agreement- Kennedy Round, Tokyo Round And Uruguay Round

From 1964, the GATT began serious efforts to negotiate an expanded multilateral trade agreement, which is known as the Kennedy Round. It was the Kennedy Round that provided a strong support for the GATT system and its effort to achieve freer trade. The Kennedy Round (1964-1967) covered almost 75% of world trade at the time. The most significant achievement of the Round was the fact that, for the first time in the history of the multilateral trade negotiations, the style of negotiations changed from a product-by-product approach to an across-the-board linear method of cutting tariffs for industrial goods. The Kennedy Round achieved an across-the-board 50% cut in tariffs on industrial goods. During this Round, separate agreements were also reached on grains and chemicals, and an anti-dumping code was adopted into the GATT.

During the Kennedy Round, many developing economies acceded to the GATT. The Kennedy Round was the first GATT negotiations in which a concerted effort was made to include developing economies in the multilateral trading system. One of the fundamental principles of the negotiations was broken to allow exceptions to the developing economies. It was that full reciprocity for concessions made would not be required for the developing economies. The concept of full reciprocity in GATT negotiations was applied strictly until the Kennedy Round. One example of special concessions offered was the decision to allow duty free access for tropical products in developed markets. Tropical products were defined as agricultural and forestry products grown in the areas between 20 degree north latitude and 20 degree south latitude -- where many developing economies are located.

As the 1960s ended, the U.S., the European Community, and Japan emerged as the major economic powers in international trade. After the monetary developments and crises of the early 1970s, these three economies called for another round of trade negotiations under the auspices of the GATT. As a result, the Tokyo Round commenced in 1973 and ended in 1979. The Tokyo Round further reduced tariffs, on average, by approximately one-third. The Tokyo Round tariff cuts used a formula different from that of the Kennedy Round. The so-called 'Swiss' formula for the Tokyo Round generated greater reductions in higher tariffs than lower ones. The most significant achievement of the Tokyo Round was the fact that it addressed non-tariff barriers for the first time in the history of multilateral trade negotiations. As a result, the Tokyo Round resulted in various agreements (known as "codes"): subsidies, technical barriers to trade (standards), import licensing procedures, government procurement, customs valuation, trade in bovine meat, international dairy arrangement, trade in civil aircraft, and a revised anti-dumping code. However, not all the GATT contracting parties uniformly became signatories of these agreements. Therefore, strictly speaking, these agreements should be considered "plurilateral" agreements.⁸⁶

In addition, the Tokyo Round adopted four important decisions regarding the interpretation and practice of the GATT. These decisions, taking effect in 1979, included: allowing preferential treatment to developing economies, allowing practices to safeguard

⁸⁶ For the legal uncertainty surrounding their implementation, see Jackson (1990).

external financial and balance-of-payment positions, allowing developing economies greater flexibility in using trade measures, and improving existing mechanisms in the GATT.⁸⁷ For the developing economies, the Tokyo Round produced the Enabling Clause, establishing the principle of differential and more favorable treatment, reciprocity and fuller participation of developing economies. Special and differential treatment for developing economies included many preferential and favorable applications of the GATT rules for developing economies. Although the Enabling Clause established a stronger legal basis for the special and differential treatment of developing economies within the GATT system, it did not really introduce any concrete new measures and was not done in legally binding terms.

The Uruguay Round of negotiations began in 1986 and were completed in 1993. The Round was the most ambitious negotiations undertaken under the auspices of the GATT. It resulted in the most significant changes to the world trading system since the establishment of the GATT in the late 1940s. The scope of the Uruguay Round was much larger than all earlier GATT rounds of trade negotiations. The most significant achievement of the Uruguay Round was the establishment of the World Trade Organization (WTO). After 45 years since the failed attempt to establish the ITO with the Havana Charter, members of the GATT succeeded in creating a formal organization of rights and responsibilities in the world trading system.

The Uruguay Round strengthened the GATT agreement by:

- Further reducing tariff and non-tariff barriers,
- tightening subsidy code for agriculture,
- bringing back textile and apparel trade into the multilateral trading system, and;
- bringing new issues of services, intellectual property rights, standards, and investment into the multilateral trading system.

One of the most significant achievements of the Uruguay Round is the fact that member economies must agree to abide by all stipulated codes of conduct in international trade, rather than the ones they choose to observe, which was allowed in previous GATT rounds.⁸⁸ Developing economies undertook commitments in the new areas of intellectual property and standards related to goods and sanitary and phytosanitary standards related to food safety, animal, and plant health (SPS).⁸⁹ The critical problem for the developing economies is inadequate technical assistance promised to be provided by the developed economies.

Another outcome of the Uruguay Round was the fact that it expanded the scope of multilateral trade rules by venturing into “new areas” and thereby producing the General Agreement on Trade in Services (GATS), the Agreement on Trade-Related Intellectual Property Rights (TRIPs), and the Agreement on Trade-Related Investment Measures (TRIMs). In the area of market access, much was achieved during the Uruguay Round. For the first time, agricultural

⁸⁷ These four “Understandings” had an even more controversy and more uncertain legal status than the nine codes. See Jackson (1990).

⁸⁸ The plurilateral agreement in civil aircraft and government procurement are still optional. Those involving dairy products and bovine meat were optional, but terminated on January 1, 1998.

⁸⁹ The standard issues were included in the Tokyo Round agreement, but many developing economies opted not to become signatories of that agreement. Thus, for developing economies, the standard issue is new.

protection was dealt with substantively. Quantitative restrictions on imports of textiles and clothing allowed under the Multi-Fiber Arrangement (MFA) was agreed to be eliminated by the end of 2004. In terms of tariff cuts, the coverage and depth of cuts under the Uruguay Round are compared well to the Tokyo and Kennedy Rounds. In particular, developing economies agreed to tariff cuts even deeper than those agreed by developed economies, to bind nearly the same percentage of their tariffs as developed economies have bound. As a result of these liberalization measures under the Uruguay Round, the increase in the world economic output was estimated to be about \$75 trillion per year.⁹⁰

In 1947, when the GATT was first established, there were 23 original members (officially called “contracting parties”). Out of these 23 members, 10 members were developed economies (Australia, Belgium, Canada, France, Luxembourg, Netherlands, New Zealand, Norway, U.K., and the U.S.) and the other 13 members would have been considered as developing economies (Brazil, Burma, Ceylon, Chile, China, Cuba, Czechoslovak Republic, India, Lebanon, Pakistan, Rhodesia, Syria, and South Africa. At the end of the Tokyo Round in 1979, the number of developing economies out of total number of 90 signatories of that agreement reached 69. Even though more developing economies were joining the GATT system throughout the 1960s and 1970s, many developing economies looked upon the UNCTAD rather than the GATT as the primary international organization to promote their interests in international trade. In fact, many developing economies regardless of GATT membership did not even maintain official representatives resident in Geneva, where the GATT secretariat was located.⁹¹

Although developing economies participated in GATT negotiations throughout the Kennedy Round and the Tokyo Round, they were largely passive in negotiations and did not engage significantly in the mutual exchange of concessions on a reciprocal basis.⁹² Since the beginning of the Uruguay Round, however, developing economies’ attitudes towards the GATT system changed. Many more developing economies joined the GATT system and participated actively in the Uruguay Round negotiations. As a result, by the end of the Uruguay Round negotiations, there were 107 developing economies out of the total of 128 signatories, which became members of the WTO.

AE.3 From 1948 To Late 1960s: Talk and Not Much Action

In the original text of the GATT agreement in 1947, there was no official mention of developing economies, nor were there any special provisions for them. The basic principle of the original GATT agreement of 1947 was not to create special arrangement for some of its contracting parties, but to set uniformity of applying the agreement. To be sure, the preamble to the agreement emphasized the importance of reducing discriminatory treatment and reciprocal and mutually advantageous arrangement. A door was left open for special arrangement when an amendment was introduced to the GATT in 1948 with a provision, under which contracting parties could use protective measures for the establishment, development or reconstruction of particular industries or branches of agriculture contrary to their obligations, provided they

⁹⁰ This figure represents the welfare gain and is based on the size and price level of the world economy in 1992. See Finger (2002).

⁹¹ Michalopoulos (1998)

⁹² Michalopoulos (1998)

obtained the permission of the other contracting parties.⁹³ But, this provision was not necessarily aimed at developing economies.

The first significant development for treating developing economies differently came in the GATT review session in 1954-55. In this session, three main amendments were adopted to address the need of developing economies as a group within the GATT system. Two of these provisions were related to the GATT Article XVIII. Article XVIII(B) was revised to include a specific provision to allow economies at an early stage of their development to adopt quantitative restrictions on imports whenever monetary reserves were deemed to be inadequate in terms of the economy's long term development strategy.⁹⁴ This was in response to developing economies' argument that they would face balance-of-payments instability for an extended period. Article XVIII(C) was also revised to allow for the imposition of trade restrictions using tariffs and quantitative restrictions to support infant industries in order to raise living standards. The third amendment was to delete the provision granting the vetoing right to certain affected contracting parties, thereby making the imposition of quantitative restrictions easier.⁹⁵

In 1956, the GATT addressed the issue of commodity price stabilization by adopting a joint resolution on Particular Difficulties Connected with Trade in Primary Commodities. This resolution called for an annual review of trends and developments in commodity trade and the convening of an inter-governmental meeting, if members felt that international joint action could contribute to the solution of the commodity price instability.⁹⁶ In 1961, the GATT adopted a declaration on the Promotion of Trade of Less Developed Countries, which later became the basis for the Generalized System of Preferences (GSP). This declaration called for preferential treatment in market access for developing economies, which were not already covered by the preferential tariff systems such as customs unions or free trade areas.

In 1964, the GATT adopted a legal framework to specifically address the developing economies' concerns about trade and development. This, known as the Part IV of the GATT agreement, contained three new GATT Articles, XXXVI to XXXVIII, which mainly addressed the issue of providing preferential market access conditions for developing economies' exports. Subsequently, the Committee on Trade and Development was established to carry out and review the application of Part IV provisions.

During these early years of the GATT, members began to address the concerns of developing economies. The primary interest of developing economies focused on preferential treatment in setting trade liberalization measures based on the balance-of-payments difficulties. They were also focused on infant industry protection and preferential access to developed economies' market. The GATT, however, did not take action in these areas, although they began

⁹³ The content of this provision was originally contained in the draft charter of the International Trade Organization (ITO), which was never ratified.

⁹⁴ Although the GATT Article XII already allowed the use of safeguard provisions, this was not regarded as adequate provision for developing economies with insufficient reserves.

⁹⁵ GATT(1954) and Michalopoulos (2000).

⁹⁶ In 1957, at the GATT Ministerial meeting, ministers agreed to appoint an expert panel to produce a report on this issue. The result was the Haberler report, which concluded that primary good producing economies were not happy with the existing trade rules and conventions at the time and recommended that the GATT come up with commodity price stabilization program.

to discuss the issue of developing economies' concern about trade and development. None of the Part IV provisions were legally binding commitments, however, for developed members. Moreover, the Committee on Trade and Development has always been a forum to discuss developing economy issues but not to deliver any legal commitments for developing economies. Part of the problem was that not only many developing economies were not members of the GATT at that time, but also those developing members did not participate fully in deliberations within the GATT.

AE.4 From Late 1960s To Early 1980s: Emergence Of GSP And The Enabling Clause

As developing economies felt that their concerns were not being addressed effectively in the GATT, they focused on creating a separate international organization to specifically deal with problems of trade and development. As a result, the United Nations Conference on Trade and Development (UNCTAD) was established in 1964. The main agenda of the UNCTAD was to establish a system of providing preferential market access for developing economies' exports to developed markets and stabilizing commodity price. In 1968, the Generalized System of Preferences (GSP) was established under the auspices of the UNCTAD. However, the GSP was on a voluntary basis, and the developed members of the GATT were still not legally bound by the GSP. The GATT granted a waiver from MFN obligations in 1971 for an initial period of ten years and another waiver allowing developing members to grant preferences amongst themselves. What the developing economies were able to gain from these separate avenues of pursuing preferential treatment was to gain double benefits from two tracks of tariff reductions: one from the GSP and the other from implementations of tariff reduction on an MFN basis for all GATT members.

As in the case of the Kennedy Round, the outcome of the Tokyo Round also turned out to be relatively disadvantageous to the developing economies than the developed economies.⁹⁷ The average tariff reduction made by the Tokyo Round was estimated to be 33% on goods of export interest to developed economies, compared to 26% on goods of export interest to developing economies.⁹⁸ The reason for this outcome was that many products of export interest to developing economies were either exempted from formula tariff cuts or subject to lower rate cuts than formula tariff cuts.⁹⁹ The relatively less favorable tariff-cut formula outcome of the two Rounds forced the developing and developed economies to arrange exceptions. Although developed economies did in fact meet some of the developing economies' demands, these arrangements were made almost unilaterally without substantial further negotiations.

One development of the Tokyo Round of concern to developing economies was the enactment of the Enabling Clause in 1979. This clause established the principle of differential and more favorable treatment, reciprocity and fuller participation of developing economies. The Enabling Clause contained provisions on special and differential treatment for developing economies: the preferential market access to developed markets on a non-reciprocal and non-discriminatory basis; more favorable treatment for developing economies in other GATT rules

⁹⁷ Some argue that this disadvantageous outcome for the developing economies could be attributed to the limited active participation by the developing economies in the GATT negotiating process. See Kemper (1980).

⁹⁸ GATT (1979). Respective figures for the Kennedy Round were 36% and 26% (UNCTAD, 1968).

⁹⁹ Michalopoulos (2000). Many developed economies extended non-reciprocal tariff reduction on tropical products to developing economies.

dealing with non-tariff barriers; the introduction of preferential trade regime between developing economies; and the special treatment for least developed economies in the context of specific measures for developing economies.

The Enabling Clause established a stronger legal basis for the special and differential treatment of developing economies within the GATT system. It did not, however, introduce concrete new measures.¹⁰⁰ Moreover, it was not done in legally binding terms, but in discretionary and permissive terms. The special and differential treatment was simply a privilege extended to the developing economies by the developed members of the GATT. In addition, the Tokyo Round agreement added the principle of graduation, thereby providing the formal basis for developed economies to phase out preferential market access program extended to developing members, which make enough progress to reach the level of graduation from the program. Since the special and differential treatment was merely privilege, when the privilege was taken away, developing economies could have no legal recourse within the GATT against such action.

AE.5 From Early 1980s To Mid 1990s: Trade And Development Issue Revisited

By the early 1980s, it appeared that developing economies had achieved some of their goals in establishing international trading rules suited to perceptions of development priorities. Developing economies had advanced preferential arrangements in the following areas: flexibility under the GATT rules in protecting domestic industry based on infant industry or balance-of-payments arguments; non-reciprocal liberalization in multilateral trade negotiations; preferable market access to developed markets under the GSP; new fund to support commodity price stabilization; and even export subsidies although subject to the risk of countervailing duties.

While the Kennedy Round and the Tokyo Round produced considerable tariff cuts on manufactured products, many non-tariff barriers continued to exist in developed markets. The most significant barriers were in textiles and clothing industry under the Multi-fiber Arrangement (MFA) and in shoes, iron and steel, and non-ferrous metals industries under the Voluntary Export Restraints (VER) arrangements. Developed economies were still able to restrict imports and subsidize export of agricultural products since the agricultural sector was not in the domain of the GATT agreement.

In addition, the benefits of the GSP were more limited than originally expected, in part due to the fact that a number of products such as textiles, of great interest to many developing economies, were either excluded completely or severely limited in the preferential treatments. In addition, the preferential margins were becoming smaller as tariff rates were lowered after the Tokyo Round negotiations. As a result, not many developing economies were particularly happy with the benefits they were getting from the GSP, and thus the GSP was not performing as a main driving force to further integrate developing economies into the international trading system.¹⁰¹

¹⁰⁰ For example, the Enabling Clause merely changed the ten-year waiver for the GSP and other trade preferences among developing economies into permanent waivers.

¹⁰¹ According to a study of Karsteny and Laird (1987), the benefits of preferences created by the GSP turned out to be concentrated on more advanced and higher-income developing economies. The study showed that four

Policy makers in both developed and developing economies began in the 1980s to reassess the linkages between trade and development. They began to question the intellectual underpinnings for trade protection and value and effectiveness of infant industry protection. The justification for the use of trade restrictions in addressing balance-of-payments difficulties was also reevaluated. In fact, studies already completed in the late 1970s outlined the ineffectiveness of trade restricting policies based on infant industry and balance-of-payments arguments.¹⁰² In addition, there was empirical evidence from the 1960s and 1970s, that export-led growth policy was working better for developing economies than the import-substitution policy. As a result, by late 1980s, many developing economy policy makers increasingly questioned trade policy objectives of the past.¹⁰³ Subsequently, many developing economies undertook autonomous trade liberalization outside the GATT system (and thus creating no changes in the formal commitments of developing economies in the GATT context) by introducing stabilization and adjustment programs, which often supported by the World Bank and/or the IMF.¹⁰⁴

Developing economies also recognized the value of participating in multilateral trade negotiations with a view to securing market access through reciprocal concessions. At the same time, developing economies also began to feel the importance of the GATT as a main international institution in order to pursue their trade policy goals. As a result, many developing economies, especially many Latin American economies like Mexico, decided to join the GATT and began to participate actively in the Uruguay Round, which in 1986 incidentally launched in a developing economy. By the time the Uruguay Round was concluded eight years later in 1994, the GATT was transformed into a true international organization dealing with trade issues, the World Trade Organization (WTO), and the role of developing economies within the international trading system changed significantly.

To many developing economies, the Uruguay Round (UR) meant more than any previous GATT Rounds because more developing economies participated actively in the negotiations. Among others, there are four aspects of the UR agreements important to developing economies. First is the strengthening of the dispute settlement mechanism, which provides better protection for developing economies against trade disputes brought by strong and large developed economies. Second, developing economies gained better market access to developed economy market in agriculture, textiles and clothing, footwear and leather products as the UR agreements included progress on agricultural market access, phase-out of the MFA, and the elimination of VERs. Third, developing economies were able to maintain most of special and differential treatment provisions. Fourth, developing economies committed to abide with multilateral rules in new UR agreements that most of them committed for the first time: Services, Trade Related Intellectual Property Rights (TRIPS), Trade Related Investment Measures (TRIMS), Subsidies, TBT, Customs Valuation, and Sanitary and Phyto-sanitary Measures (SPS). Previously, they were enjoying complete latitude in Services, TRIPS and TRIMS while only a few developing

developing economies, Brazil, Hong Kong, Korea, and Taiwan, were receiving more than 50% of all GSP derived benefits.

¹⁰² There were several intensive studies of developing economies' trade regimes in late 1970s. The most significant example was a twelve-volume study sponsored by the National Bureau of Economic Research (NBER). Its findings are summarized in Bhagwati (1978) and Krueger (1978).

¹⁰³ Rodrik (1992).

¹⁰⁴ Michalopoulos (2000).

economies were committed to the other agreements. In order to make developing economies' transition and implementation easier, the UR agreement provided transitional time frame and technical assistance support.

AE.6 Efforts To Integrate Developing Economies into the WTO

Developing economies participated actively in the UR negotiations and committed to the final agreement in 1994. Since then, many developing economies have expressed concern about the costs of implementation of commitments undertaken. This perception of imbalance, contributed to the failure of the Seattle Ministerial to launch a new round of WTO negotiations.¹⁰⁵ At the Doha Ministerial meeting at the end of 2001, many issues related to development were discussed and were reflected in the Doha Ministerial Declaration. The main issue centered on implementation of the Uruguay Round commitments by the developing economies. In the Doha Declaration, it was expressed that implementation issues should be given significant prominence and be an integral part of the work program. Regarding the agricultural market access, the main issue was the phase-out of export subsidies and other support measures, which developing economies also demanded commitment in advance of any negotiation.

With the EU's reluctance to make this commitment, members reached a compromise. Thus, the ministers agreed to commit to "comprehensive negotiations aimed at: substantial improvements in market access; reduction of, with a view to phasing out, all forms of export subsidies; and substantial reduction in trade distorting domestic support...modalities for further commitments including provisions for special and differential treatment, shall be established no later than 31 March 2003."¹⁰⁶ For non-agricultural product market access, the ministers agreed to negotiations "to reduce or as appropriate, eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalations, as well as non-tariff barriers, in particular on products of export interest to developing economies."¹⁰⁷ This is an important issue because tariff peaks are often concentrated in products of interest to developing economies.¹⁰⁸

Regarding textiles and apparels, products of great export interest to many developing economies, there was no explicit mention of it in the Declaration although many developing economies called for an acceleration of the pace of phase-out of MFA quotas. The Uruguay Round agreement included the Agreement on Textiles and Clothing, which promised the phase-out of bilateral import quotas of the MFA in three stages and over a 10-year period ending at the end of 2004. Many developing economies have complained that the phase-out is heavily back-loaded, meaning the most of the liberalization would come in the later years of the period.¹⁰⁹

The Doha Declaration also refers to the need for technical and other assistance to the least developed economies and the special and differential treatment for developing economies.

¹⁰⁵ Srinivasan (2002).

¹⁰⁶ WTO (2001a).

¹⁰⁷ WTO (2001a)

¹⁰⁸ Hoekman (2002) sites the US Department of Commerce statistics in showing that in 1999, in the US alone, imports originating in least developed economies generated tariff revenues of \$487 million, equal to 11.6% of the value of their exports to the US, and 15.7% of dutiable imports.

¹⁰⁹ According to Srinivasan (2002), textiles and apparel products accounting for as much as 49% of the value of 1990 imports could still be under quota restrictions as of December 31, 2004, the last day of the phase-out period.

To deepen the integration of the least developed economies into the multilateral trading system, Ministers committed the WTO to the objective of duty-free, quota-free market access for products originating from the least developed economies. At the same time, recognizing the importance of technical assistance and capacity building in order for the developing economies to implement trade policy reform, the Ministers endorsed the New Strategy of WTO Technical Cooperation for Capacity Building, Growth and Integration, and instructed the WTO's Committee on Budget Finance and Administration to develop a plan for long-term funding for development assistance. The Ministers also recognized the case for a multilateral framework in competition policy, transparency in government procurement and trade facilitation to enhance the contribution of these areas to trade and development. They agreed to have negotiations taking place at the same time and on the same terms as set for negotiations on trade and investment.¹¹⁰

¹¹⁰ WTO (2001a).

Appendix F: Trade Facilitation Initiatives of Other Institutions: Selected Examples

Many inter-governmental organizations are engaged in trade facilitation issues. As shown below, some of these organizations are multilateral ones with large members, while some of them are regional or bilateral ones with fewer members:

Multilateral Organizations Working on Trade Facilitation

- United Nations Conference on Trade and Development (UNCTAD)
- United Nations Economic Commission for Europe (UNECE)
- World Customs Organization (WCO)
- World Trade Organization (WTO)
- World Bank (WB)
- Organization for Economic Cooperation and Development (OECD)
- International Monetary Fund (IMF)
- International Trade Centre UNCTAD/WTO (ITC)
- International Maritime Organization (IMO)
- International Civil Aviation Organization (ICAO)
- United Nations Commission on International Trade Law (UNCITRAL)

Regional Organizations Working on Trade Facilitation

- Asia-Pacific Economic Cooperation (APEC)
- Association of Southeast Asian Nations (ASEAN)
- Asian Development Bank (ADB)
- Asia Europe Meeting (ASEM)
- Inter-American Development Bank (IDB)
- Free Trade Area of Americas (FTAA)
- Common Market of the South (MERCOSUR)
- G-7

Depending on their organizational characteristics, some of these organizations have done a substantial amount of work on wide range of issues in trade facilitation, while others have only dealt with particular aspect of trade facilitation. A brief summary of their work on trade facilitation is provided in the following sections.¹¹¹

AF.1 United Nations Conference on Trade and Development (UNCTAD)

UNCTAD became involved in trade facilitation work in 1970 when it was agreed, within the ECE context, on the need for facilitation work to be coordinated on a global basis and for the existing technical functions of the United Nations to be strengthened in

¹¹¹ This section is a brief summary of various organizations' activities in trade facilitation, mainly taken from those organizations' websites and previous summary by the WTO (WTO document G/C/W/80/Rev.1), where more detailed information can be found.

this area. As the work expanded, it became necessary to separate the UNDP-financed technical assistance activities and the substantive UNCTAD secretariat work. In 1973, UNCTAD and the ECE agreed that UNCTAD would provide secretariat technical expertise on a global basis. In 1975, a separate unit in the secretariat was established called the Special Programme on Trade Facilitation (FALPRO), which was subsequently absorbed by the Special Programme on Trade Efficiency (SPTE) in 1992. In the 1996 re-organization of UNCTAD, SPTE was transformed into the Division of Services Infrastructure for Development and Trade Efficiency (SITE) and trade facilitation activities fall under its Trade Facilitation Section. The objective of SITE is to simplify and harmonize trade procedures world-wide and give governments and traders access to advanced technologies and information networks. Adopted at the conclusion of UNCTAD X in Bangkok in February 2000, the Plan of Action¹¹² of the Bangkok Declaration¹¹³ provides a new mandate for the UNCTAD secretariat, in particular regarding transport, trade facilitation and e-commerce.

Technical Assistance Activities

SITE carries out a wide variety of activities in trade facilitation, which are described below¹¹⁴, through technical assistance programs of UNCTAD. UNCTAD is currently implementing about 300 technical assistance projects for an annual delivery of \$20 million or so, with particular attention to the needs of Africa and of least developed, land-locked and island economies. Its technical assistance activities are grouped under five areas: international trade; sustainable development; financial resources; investment, technology and enterprise development; and transport. Naturally, trade facilitation related technical assistance programs are mainly included in the areas of international trade and transport and carried out under the SITE programs. In 2001, UNCTAD's total technical assistance expenditure was \$23.2 million, an increase of 3.7% from the previous year. Out of this amount, \$8.6 million or 37.2% of the total was spent on SITE programs related to trade facilitation. The ASYCUDA related technical assistance programs received the largest amount of \$5.4 million. LDCs continued to be the major beneficiaries of UNCTAD technical cooperation expenditures, amounting to \$10 million or 43% of the total. The Africa region benefited the most in the amount of \$4.2 million or 18.3% of the total.¹¹⁵

Columbus Ministerial Declaration on Trade Efficiency

The United Nations International Symposium on Trade Efficiency was held, at Ministerial level, in Columbus, Ohio, in October 1994. The Symposium concluded that "adoption of trade efficiency measures can significantly lower the costs of trade transactions. Estimates place the costs of trade transactions at 7 to 10 per cent of the total

¹¹² Plan of Action (TD/386), Bangkok, February 2000.

¹¹³ Bangkok Declaration: Global Dialogue & Dynamic Engagement (TD/387), Bangkok, February 2000.

¹¹⁴ For more information, visit the UNCTAD web site: www.unctad.org

¹¹⁵ For details, see *Review of Technical Cooperation Activities of UNCTAD* (TD/B/49/4), June 2002.

value of world trade". The Columbus Ministerial Declaration¹¹⁶ put forth a set of practical actions, recommendations and guidelines for governments, international and national organizations and enterprises. They addressed six areas which were considered ripe for tangible results for international trade: customs, transport, banking and insurance, information for trade, business practices, and telecommunications. UNCTAD's role, as agreed at the symposium, was to act as the focal point in the implementation of the Declaration, which would require coordinated efforts by many national and international bodies, particularly the United Nations. In particular, the symposium called for "coordination with the GATT/WTO and all United Nations regional economic commissions". The Declaration called for governments to simplify procedures for determining customs value and to avoid as far as possible the use of pre-shipment inspection agencies to carry out customs-related activities.

Trade Point Programme

UNCTAD's Trade Point Programme was launched in 1992 as part of a larger campaign towards improving trade efficiency. Its main objective is to facilitate the access for small and medium-sized enterprises (SMEs) to international markets, in particular using newly emerging electronic commerce technologies. Through the electronically interconnected network of Trade Points, known as Global Trade Point Network (GTPNet), in many economies of the world, SMEs gain access to the latest information and telecommunication technologies and services, and this enables them to get their products known to potential customers and find business partners in other economies. These services are provided at a reasonable cost to increase the participation of SMEs, particularly from developing economies and economies in transition, in international trade. Trade points may be government-subsidized; entirely private-sector operations; or mixed public-private ventures. They may be based in such institutions as ministries, trade promotion organizations or universities.

The GTPNet, launched at the Columbus Symposium in 1994, is an electronic network inter-linking the central web site of the Trade Point Programme and web sites of individual Trade Points. It has recently undergone a substantial renovation in order to keep pace with the most recent market and technological trends. The redesigned GTPNet is a database-driven Internet (with password-protected areas) for providing international traders with up-to-the-minute listings of potential buyers and sellers of products and services and other trade-related information not usually available online.¹¹⁷ There are currently more than 131 trade points in 83 economies, of which 63 are operational.¹¹⁸ During the VI World Wide Trade Point Meeting in November 2000 in Geneva, the growing community of Trade Points was further strengthened and institutionalized. Currently, UNCTAD is in the process of externalizing the Trade Point Programme, including GTPNet, which is likely to be transferred to the World Trade Point Federation

¹¹⁶ "Columbus Ministerial Declaration on Trade Efficiency", Report of the United Nations International Symposium on Trade Efficiency, TD/SYMP.TE/6, November 1994.

¹¹⁷ For more information, visit the GTPNet web site: www.gtpnet-e.com

¹¹⁸ Information as of 15 September 2001.

(WTPF).¹¹⁹ A very limited amount of technical assistance for capacity building program is available to train developing economy Trade Point directors.

ASYCUDA¹²⁰

The ASYCUDA customs software program is the largest technical assistance project under the SITE. The core of the program is a computer software program which, since 1985, has been installed in over 80 developing and transition economies throughout the world. It is designed to streamline and reduce customs forms and procedures and is based on and incorporates UN/ECE and WCO Recommendations and Standards, codes and other standards. The basic idea is to rid the customs system of outdated procedures, practices and incorporate international practices and standards in order to increase the economy's customs revenue through reduced costs and faster clearance.

A new improved version of ASYCUDA (ASYCUDA++) offers the traditional core features, i.e. system administration, national configuration, tariff and master file maintenance, cargo manifest handling, declaration processing and accounting. The software can be adjusted to each economy's customs valuation methodology and translated into its official language. It is usable for all the types of transit as defined in the Kyoto Convention covering the movements from the import transit, through transit, export and internal transit. This year, UNCTAD is launching a new web-based version of ASYCUDA (dubbed AsycudaWorld), which will allow customs administrators and traders to handle most of their transactions via the Internet. Asycuda represents an opportunity to use the internet to make international trade simpler and cheaper for customs administration and their clients, thus facilitating trade.

Bilateral and regional transit agreements

Since the mid-1970s UNCTAD has offered technical assistance to help land-locked developing economies and their transit neighbors to intensify their co-operative arrangements for the development of transit infrastructure, institutions and services in order to facilitate faster movement of goods in transit. This assistance is based on the recognition that high transit transport costs are a major disadvantage to landlocked developing economies and economies in transition; moreover, long, unpredictable transit times undermine the competitiveness of many developing economies. Priority areas of work where achievements have been made include: assistance in negotiating and/or implementing bilateral and regional transit agreements and arrangements; streamlining and harmonizing administrative and customs procedures and documentation; assistance in implementing policies and procedures to reduce transit costs; and assistance in institution building and human resource development in the transit sector.¹²¹

¹¹⁹ WTPF was established in May 2001 as an international non-governmental organization, which has all the Trade Points in the world as its members. For details, refer to its website: www.wtpfed.org.

¹²⁰ For more information on ASYCUDA, visit the web-site: www.asycuda.org

¹²¹ The Meeting of Governmental Experts from Land-locked and Transit Developing Economies and Representatives of Donor Economies and Financial and Development Institutions, which meets once every two years, has provided recommendations for action at the national, regional and international levels have been transmitted for review and endorsement by the General Assembly of the United Nations

Much of UNCTAD's earlier technical assistance support work was concentrated in Africa, but more recently, assistance has been extended to other economies and regions, notably, the newly independent and developing states in Central Asia where, in co-operation with the Economic Co-operation Organization (ECO) a Transit Transport Framework Agreement was adopted (1998). A similar agreement between the People's Republic of China, Mongolia and Russia is currently being negotiated with assistance from UNCTAD. UNCTAD continues to work closely with regional integration groupings (ECOWAS, COMESA, SADC, ECO etc.), which play a major role in promoting regional standards, procedures, documentation and practices designed to facilitate faster movements of goods in transit.¹²²

Transport

The transport sector has received the most attention of all sectors of economic activity in UNCTAD's trade facilitation work. In particular, UNCTAD promotes the implementation, through advisory services as well as technical assistance and training activities, of the concept of National Trade and Transport Facilitation Committees (NTTFC)¹²³ along the lines suggested in the UN-ECE/CEFACT Recommendation No.4.¹²⁴ These committees bring together representatives of public and private parties concerned with international trade and transport facilitation in an economy, i.e. governmental entities, services providers, and transport users. UNCTAD and the Latin American Association for Integration (ALADI) have signed a Memorandum of Understanding to promote jointly the creation of NTTFCs in Latin America. In a particular sub-region, these committees can serve as focal points to monitor and coordinate regional activities on trade facilitation.

Other activities in the transport area have concentrated on the increasingly multi-modal transport operations of transport services, on the use of different terms of shipment (e.g. cif, fob) with special emphasis on shipping and ports. The latter work is often coordinated with the International Maritime Organization (IMO), which concentrates on technical and safety problems in shipping and ports. The technical assistance focuses on advice, management assistance and training with regard to economics and management of shipping, and shipping companies, including corporate planning and fleet operation. It provides advice on the implementation of conventions negotiated under UNCTAD and

¹²² For more information, see the recent UNCTAD studies on transit transport issues in Africa: "Review of progress in the development of transit transport systems in West and Central Africa" (UNCTAD/LDC/102) of 15 June 1999 and "Review of progress in the development of transit transport systems in Eastern Africa" (UNCTAD/LDC/103) of 15 June 1999.

¹²³ Established as a consultative body, an NTTFC serves as a national forum to establish formalities, procedures and documentation used in international transport and trade. Its mandate is to prepare recommendations and advise on domestic and foreign policy matters related to the development of trade and transport through proposals to the institutions concerned and to the executive branch of the government.

¹²⁴ UN-ECE/CEFACT Recommendation No. 4 "National Trade Facilitation Bodies" (TRADE/CEFACT/1999/11), March 1999, and its supporting document: "Creating an efficient environment for Trade and Transport" (TRADE/CEFACT/2000/8), March 2000.

on maritime administration and maritime law. With regard to ports, UNCTAD's assistance has concentrated on both the economic and commercial aspects. This includes port operations, administration and organization (including legislation and regulations), financial management, cost control and information systems.

One of the major recent initiatives in the area of Transport has been the Global Facilitation Partnership for Transportation and Trade (GFP) launched in 1999 with the support of the World Bank. As of mid-2001, the partnership comprised 75 partners including private companies, chambers of commerce, international professional organizations, and United Nations agencies. The partnership recently developed a Trade and Transport Facilitation Toolkit designed to assist developing economies in streamlining their transportation systems to facilitate their access to international trade. Current efforts of the GFP focus on expanding knowledge sharing in the area of transportation facilitation. The International Association of Ports and Harbours has provided resources for the GFP distance learning initiative, while the International Air Cargo Association has established a learning facility for transport studies. Furthermore, UNCTAD/Trainmar center in Trinidad & Tobago has volunteered to disseminate course information over its network, and Ports World of Malaysia, a transport data management company, has also committed its research resources.

Over the past two years, several international organizations substantially increased their assistance in transport facilitation, concentrating their efforts on developing economies. Over 2001-2002, the World Bank launched its two largest projects ever in this area. In June 2001 the Bank started a \$589 million Grand Trunk Road Improvement Project in India to support the efforts of Indian government in eliminating infrastructure inefficiencies as a major barrier to India's international trade. In June 2002 the World Bank approved a \$542 million Mumbai Urban Transport Project meant to raise transport efficiency in India's metropolitan areas and improve their access to global trade markets. In February 2002, the Asian Development Bank started a \$25 million project in Cambodia and in April of this year the Bank launched a \$50 million initiative in Sri Lanka. Future efforts in the area of transport facilitation will concentrate on improving port logistics and increasing the efficiency of cargo clearance.

ACIS

UNCTAD has developed and is installing a transport management tool called the Advance Cargo Information System (ACIS). The objective is to counter the high cost of transportation resulting from extended door-to-door transit times. ACIS is a set of computer applications designed to produce management information to address multimodal cargo transit and transport problems. ACIS has four main modules, each tracking cargo on a mode or interface: rail (RailTracker), port (PortTracker), lake/rivers (Lake/RiverTracker) and road (RoadTracker). These modules are linked together through the Backbone Information System, which can interface with ASYCUDA. These, in turn, have sub-modules performing different, but inter-related functions, especially with regard to statistics and performance indicators. ACIS provides improved information to help control the operations of individual transport operators and facilitate

rational corporate planning. It is also a database facility available to parties registered as having an interest in a consignment and its transportation, providing them with the latest reported location and status of goods and transport equipment. ACIS PortTracker and RailTracker modules have been installed in 15 economies and the system is currently being implemented in another five economies.

TRAINFORTRADE¹²⁵

The TRAINFORTRADE program aims at strengthening training capacities in developing economies, particularly in the least developed economies (LDCs), in the fields of international trade and trade-related services. Recently, for example, to intensify the training activities in the field of legal aspects of electronic commerce, especially for developing economies and their SMEs, a new TRAINFORTRADE course on “Legal and regulatory aspects of electronic commerce” was prepared. This capacity building program also offers distance learning courses.

AF.2 UN Economic Commission for Europe (UNECE)

Work on trade facilitation activities began in the ECE in 1960, following a 1959 initiative from the Nordic economies, when it was decided to set up a Group of Experts to explore ways in which export documents could be simplified and standardized. In 1971, the trade facilitation work was reorganized into the newly established Working Party on the Facilitation of International Trade Procedures, also referred to as Working Party 4 or WP.4. Its activities were concentrated in two areas, each carried out in a group of experts (GE.1 and GE.2):

- the analysis of trade 'formalities' and procedures as embodied in information requirements (whether legal, administrative, commercial or operational) of participants in international trade; and
- the development of improved transmission methods (computerized processing and tele-transmission) for trade information which could replace traditional paper documents.

The work of the two expert groups has been oriented towards the following trade facilitation objectives:

- seeking improvements in trade procedures in order to assist governments and trade participants to be more efficient and effective while also minimizing delays and costs...thus reducing 'artificial' barriers to increased participation in world trade;
- reducing the cost of the paperwork used in trade by seeking, in cooperation with the interests and authorities involved, the reduction, simplification and international harmonization of the information and documents required for foreign trade;

¹²⁵ For more information on TRAINFORTRADE, visit the web site: www.unctad.org/trainfortrade

- standardizing the formats (whether electronic or paper) used in transaction information flows for administration, commerce and transport at an international level;
- ensuring that the information flows related to the distribution of goods and services facilitate and do not impede national industrial development or growth in external trade.

In February 1997, WP.4 was reorganized into the Centre for Facilitation of Procedures and Practices for Administration, Commerce and Transport (CEFACT) by decision of the Committee on the Development of Trade. In March 2000 considering that trade facilitation and electronic business were central to the work of the UN/ECE and to achieve improved world-wide coordination of trade facilitation, UN/ECE modified the Centre's name into the Centre for Trade Facilitation and Electronic Business (UN/CEFACT) which reflected its new focus.¹²⁶

UN/CEFACT has produced 28 UN/ECE Trade Facilitation Recommendations,¹²⁷ developed over the past 37 years. Several of these recommendations have been adopted by the International Standards Organization (ISO) as ISO international standards. The first Recommendation was the United Nations Layout Key which essentially establishes a set of rules on how national trade documents should be formulated. UN/CEFACT has also developed a Compendium of Trade Facilitation Recommendations which is currently under revision and is intended to be used as a reference by those engaged in the process of simplifying, harmonizing and rationalizing trade procedures and practices.

As a result of the work on the UN Layout Key, the importance of structured trade and business data was recognized. This resulted in the development of standardized codes and data elements for use in both paper and electronic based information exchange. These standards are compiled in a publication called the UN Trade Data Element Directory (UNTDDED), as well as in some Recommendations. Volume I contains definitions of data elements including UN/EDIFACT and is an ISO standard (ISO 7372), which is jointly maintained by the ECE and the ISO central Secretariat. Volume III contains the ECE Recommendations¹²⁸.

Electronic Data Interchange (EDI)

The use of computers to carry out buying and selling between individuals, individuals and companies, and companies and companies, known as electronic commerce (e-commerce for short), has contributed significantly to facilitating international commerce because it is reducing the amount of paperwork that is related to doing business. This can be done through the Internet, the World Wide Web, E-mail and Electronic Data Interchange (EDI). EDI can be defined as the "structured exchange of data between applications in different companies." A structured message is formatted

¹²⁶ See website: <http://www.uncefact.org>

¹²⁷ A complete list of these Recommendations is contained in Annex I to this document. The full texts of the Recommendations can be accessed through the www at <http://www.uncefact.org/>

¹²⁸ Volume II contains a User Code List

according to a predefined arrangement of putting the information into a file. On paper, this would be a "form." In EDI, the format used in general is called UN/EDIFACT or the United Nations Electronic Data Interchange for Administration, Commerce and Transport.

UN/EDIFACT is an international standard for the formatting and sequencing of data for EDI. It was developed through the work of WP.4 to develop an international standard to replace the two regional standards, which had emerged in the United States and in Europe and whose incompatibility with each other was creating difficulties for international trade. The UN/EDIFACT is "a set of standards, directories and guidelines for the electronic interchange of structured data, in particular related to trade in goods or services, between independent computerized systems in different organizations, irrespective of the type of computer or software used". In sum, EDI is used for the automation of data exchange.

Within the work program of UN/CEFACT there are activities for the review, monitoring and evaluation of on-going developments in the information technology area in order to incorporate appropriate new technologies, such as those related to e-Commerce, into its work. Recently, in order to take advantage of information technology, UN/CEFACT decided to assess the use of internet technology and new techniques and methodologies to transfer data in line with the work done over the years.¹²⁹

Other work of UN/ECE

Another area relates to legal issues arising from trade facilitation initiatives and is based on the recognition that the removal of legal impediments is a key requirement to enable global trade to develop and be facilitated. In carrying out its legal work program, UN/CEFACT liaises with other organizations, particularly the UN Commission on International Trade Law (UNCITRAL) and the International Chamber of Commerce (ICC). In March 2000 the UN/CEFACT Plenary approved a recommendation on the Electronic Commerce Agreement that proposes a model for a contractual approach of electronic commerce operations. This approach takes into consideration the need for a framework of basic provisions to be agreed by business entities combined with the flexibility required to conduct day-to-day commercial transactions.

The UN/CEFACT International Trade Procedures Working Group (ITPWG) is dedicated to identify, simplify, harmonize and align public and private sector practices, procedures and information flows relating to international trade transactions both in goods and related services. Its key deliverables are:

- development of relevant instruments and recommendations for trade facilitation, and proposals for revision, amendment or abolition of these recommendations, in co-operation with the other working groups;

¹²⁹ UN/CEFACT's Strategy for Electronic Business, document TRADE/CEFACT/2000/21, February 2000).

- evaluation of the state and progress in the implementation of trade facilitation measures; systematic review and monitoring of the implementation of trade facilitation Recommendations; notification to other working groups of constraints identified in the field of international trade procedures;
- contributions in support of and to influence related work in other relevant intergovernmental and non-governmental organizations; and
- provision of relevant know-how, educational and promotional material.

The UN/CEFACT Business Process Analysis Working Group (BPAWG) is dedicated to the analysis of current business processes, identification of constraints and the development of proposals for appropriate changes to business processes. Its key deliverables are:

- analyses of business processes relevant to the mission and objectives of UN/CEFACT using the common descriptive techniques and methodology agreed within the Centre;
- identification of constraints to more effective business processes;
- proposals, including draft Recommendations, for more effective business processes;
- assistance to other working groups in understanding approved proposals in order to enable them to develop solutions, based on these proposals, for the migration from existing to new business processes.

Technical Assistance

The UNECE provides various technical assistance programs with very limited annual budget. For example, in 2000/2001 fiscal year, its total amount budget expenditure on technical assistance programs was only \$2.8 million. More than half of this amount was spent on the implementation of its “Subprogramme 6” (“Trade, Industry and Enterprise Development”), which includes the following five areas: trade facilitation; investment promotion; gender and economy; enterprise development and SMEs; and development issues and policies. It is estimated that about 10% (less than \$300,000) of the total technical assistance expenditure is spent annually on trade facilitation.¹³⁰ Most of UNECE technical assistance programs are aimed at supporting transition economies in Eastern Europe.¹³¹

¹³⁰ See *Review of Operational Activities Undertaken in 2001*, a note by the Executive Secretary presented during the Fifty-seventh session of the UNECE in May 2002.

¹³¹ See website: <http://www.unece.org>.

AF.3 World Customs Organization (WCO)

The World Customs Organization was founded in 1953 as the Customs Co-operation Council (CCC). Established originally by 13 European countries, its membership has expanded to 151 members. All aspects of the WCO's work relate closely to questions of trade facilitation. The WCO's mission is to enhance the efficiency of customs administrations in the areas of compliance with trade regulations, protection of society and revenue collection. The WCO's main work program has been the establishment and maintenance of various customs-related legal instruments. Its key accomplishments are the Kyoto Convention, as the key convention covering customs procedures and the Istanbul Convention on temporary admission.

International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention)

The Kyoto Convention, agreed in May 1973, consists of two parts. The first is comprised of 19 Articles setting out the general provisions essential for the implementation of the instrument. The second consists of 31 Annexes (26 of which have entered into force), each devoted to a specific customs procedure.¹³² An Annex enters into force when five Contracting Parties have accepted it. Each Annex consists of a set of definitions clarifying the main customs terms used and the rules governing the implementation of the procedure concerned. The Kyoto Convention is open for accession by any State, and by Customs or Economic Unions. Presently, the Kyoto Convention has 59 Contracting Parties. The 31 Annexes are the real instruments of harmonization of customs procedures, since they contain the principles intended to be incorporated in national legislation. At the time of accession to the Convention, a State has to accept at least one Annex.

In 1999, the WCO completed a full revision of the 1973 Convention. The goal of the revision work was to provide customs administrations with a modern set of uniform principles for simple, effective and predictable customs procedures that also achieve effective customs control. This revision was necessary as a result of the radical changes in trade, transport and administrative techniques since the Convention had originally been adopted. An additional reason was that the Convention had not significantly resulted in the harmonization and simplification of customs procedures world-wide. Furthermore, the original version of the Convention had only a small number of Contracting Parties to the individual annexes, and additionally, many Contracting Parties had entered reservations to the legal provisions in the annexes that they had accepted.

The key feature of the revised Convention is a new structure consisting of a General Annex and ten Specific Annexes. The General Annex contains the core procedures and practices for clearance of goods that are common to all customs procedures. The General Annex is obligatory for accession and implementation by Contracting Parties. This key Annex contains 10 Chapters and covers areas relating to the clearance of goods, payment of duties and taxes, customs trade co-operation,

¹³² The term "customs procedure" in the context of the Kyoto Convention is not used in the narrow sense of the treatment assigned to imported goods; it covers all provisions relating to customs activity.

information to be supplied by customs, and appeals in all customs matters – areas that are of concern both to customs administrations and to the trading community. It also covers customs control including risk management, audit-based controls and mutual administrative assistance between customs administrations and with external organizations, as well as the use of information technology which provides the key to simple procedures while ensuring adequate customs Control.

No reservations can be entered against the Standards and Transitional Standards of the General Annex. However, in recognizing that many economies may not be able to commit to a number of Standards immediately, the revised Convention provides a transition period for the present and new Contracting Parties to make any necessary changes in their national legislation in order to apply the provisions. Contracting Parties will have a period of up to three years to implement Standards and five years to implement Transitional Standards.

The revised Convention has 10 Specific Annexes containing a total of 25 Chapters, each dealing with a different customs procedure.¹³³ Contracting Parties are required to accede to only those Specific Annexes and/or Chapters applied by their administration. As in the General Annex, the Standards are obligatory and binding on Contracting Parties accepting an Annex(es) and/or Chapters, and there is the same transitional period for the application of the Standards. Reservations, however, can be entered against the Recommended Practices in the Specific Annexes.

The revised Convention will be brought into force by a Protocol of Amendment. Forty of the current Contracting Parties will have to accede to the Protocol for it to come into force. As of 30 June 2002, eleven Contracting Parties have acceded to the Protocol and six have signed the Protocol subject to ratification. The WCO Secretariat is conducting a number of technical assistance missions and regional seminars to promote the revised Convention and to assist Contracting Parties in their accession.

Customs Convention on Temporary Admission (Istanbul Convention)

The Istanbul Convention, which entered into force on 27 November 1993, combines in one legal instrument all existing agreements covering temporary admission of goods into one state or customs union from another, and creates a framework for accommodating future requirements. The Convention also provides for the continuing use of the ATA carnet (*carnet de passage en douane pour l'admission temporaire*) for temporary admission and broadens its application. It currently has 35 Contracting Parties, and another 8 signatories subject to ratification. It is open for accession by any state and customs or economic unions. Since it is expected that for some time not all those implementing the ATA and CPD (*carnet de passage en douane*) carnet scheme will be a Contracting Party to the Istanbul Convention, the WCO Council adopted a

¹³³ The Annexes to the revised Kyoto Convention, A through K, are: (A) Arrival of goods in a Customs territory; (B) Importation; (C) Exportation; (D) Customs warehouses and free zones; (E) Transit; (F) Processing; (G) Temporary Admission; (H) Offences; (J) Special Procedures; (K) Origin.

Recommendation inviting Contracting Parties to accept ATA and CPD carnet regardless of whether they are issued under the Istanbul Convention or other legal instruments.

The body of the Convention consists of 34 Articles representing the main principles and provisions essential for the uniform implementation of the instrument, such as scope, administration, accession and amendment procedures. The main provisions foresee that each Contracting Party may require presentation of a document and security for temporary admission; security shall not exceed the amount of import duties and taxes from which the goods are conditionally relieved. General minimum periods for re-exportation of six or twelve months were agreed in specific annexes. The Convention has 13 Annexes, of which Annex A (concerning temporary admission papers, ATA and CPD carnets) as well as at least one other Annex have to be accepted by each Contracting Party. To date, only a few Annexes have entered into force.¹³⁴ The other Annexes have not yet reached the minimum number of five signatories.

International Convention on the Harmonized Commodity Description and Coding System

The Harmonized Commodity Description and Coding System (Harmonized System) is an international product nomenclature in force since 1 January 1988. Its main application is for customs purposes such as classification and valuation, but also for the collection of trade statistics, rules of origin and for all kinds of transactions in international trade (transport, insurance etc.) In order to keep the Harmonized System up to date and to take into account changes in technology and the development of new products, revisions have taken place in 1992 and 1996 and a third set of amendments was introduced in January 2002.

The Harmonized System (HS) contributes to the facilitation of international trade by providing a common basis for classification of goods. The HS Convention has 102 Contracting Parties to date, and about 180 economies apply HS-based customs tariffs and trade statistical nomenclatures (as of May 2002). In order to secure uniform interpretation and application of the legal texts of the HS, the WCO has put in place a number of programmes. These include settling of classification questions and disputes, publishing of classification related information on the internet (www.wcoomd.org), development of a classification infrastructure and best practices in commodity database (CD-ROM) giving HS classification of more than 200,000 commodities in trade.

International Convention on Mutual Administrative Assistance for the Prevention, Investigation and Repression of Customs Offences (Nairobi Convention)

In the face of increasingly widespread customs offences concerning all economies, the WCO Council in 1974 felt the necessity to go beyond the development and promotion of bilateral and multilateral agreements, which were until then the standard instruments for customs co-operation. The Nairobi Convention was drawn up between 1974 and 1977 to combat customs fraud. It consists of a body and 11 Annexes, one of which has to be accepted at minimum by each Contracting Party. As a basic

¹³⁴ These are Annexes A, B.1., B.2, B.5 and B.6.

principle, “customs administrations shall afford such other mutual assistance with a view to preventing, investigating, and repressing customs offence.” The Convention is based on the concept of reciprocity: a Contracting Party has an obligation to render assistance to another Contracting Party only in so far as both have accepted the same Annex. The Nairobi Convention currently has 51 Contracting Parties. In 2002, the WCO updated its 1966 “Model Bilateral Agreement and adopted Model Bilateral Agreement on Mutual Administrative Assistance in Customs Matters”. The model agreement sets out and explains a number of provisions that should be considered when drawing up a bilateral agreement.

Other Customs Conventions administered by the WCO

The WCO also administers the following Customs Conventions to solve certain specific customs problems:

- on the temporary importation of packing;
- on the temporary importation of professional equipment;
- concerning customs facilities for the importation of goods for display or use at exhibitions, fairs, meetings or similar events;
- concerning welfare material for seafarers;
- on the temporary importation of scientific equipment;
- on temporary importation of pedagogic material;
- on the ATA carnet or the temporary admission of goods (ATA Convention);
- on the international transit of goods (ITI Convention);
- on Containers, 1972.¹³⁵

Other instruments and programs

The WCO has also developed other instruments and programs to further facilitate trade:

- **WCO Recommendations:** These do not have a binding character but are intended as tools for improvement of customs techniques by national customs administrations.¹³⁶
- **International Customs Norms:** These norms deal with a specific point of customs technique and set out the fundamental principles to be incorporated in customs legislation or regulation.
- **Immediate Release Guidelines:** These are developed to provide a tool for customs administrations to grant fast clearance while maintaining customs control with regard to consignments that require immediate release.¹³⁷

¹³⁵ The Customs Convention on Containers, 1972 is a UN/ECE Convention administered with technical input from the WCO.

¹³⁶ Recommendations have been issued in five areas: cooperation between administrations; duty relief, repayments and remission; transport, travel and tourism; information technology; and other s.

¹³⁷ The principles in the new General Annex of the revised Kyoto Convention reflect the same principles contained in these Guidelines.

- **WCO Resolutions:** These concern the abolition of the passenger manifest in respect of passengers arriving or departing by air; customs facilities for tourists; and abolition of control of motor vehicle insurance at frontiers.

Integrity of Customs administrations

The WCO adopted the *Arusha Declaration* in 1993. The WCO Secretariat hosted an open discussion on this issue in Brussels in April 1998. The recommendations from the Forum were discussed at the annual meeting of the Council of WCO in Morocco in June 1998 and it was decided to establish an Integrity Working Group to develop an Integrity Action Plan to assist Members' to implement the provisions of the Arusha Declaration and improve the level of integrity within their administrations. The Working Group has since met three times and has developed a comprehensive Action Plan which was approved by the Council in June 1999.

As a part of the WCO Integrity Action Plan, the WCO Secretariat, with the assistance of a number of Member administrations has developed an Integrity Self-Assessment Guide and an Integrity Workshop¹³⁸, drafted a Model Code of Ethics and Conduct, and established an Integrity Resource Centre.

Customs Reform and Modernization Programme

The Customs Reform and Modernization (CRM) Programme is a comprehensive approach to help improve the overall performance of customs administrations and meet the growing expectations of society, business and governments. The CRM Programme is a collection of management tools available to customs administrations to assist them to better understand the requirements of their changing external and internal environment, and to develop self-assessment abilities and skills to implement a comprehensive and sustainable organizational improvement and change program. The WCO can assist Member administrations through the provision of technical assistance in this area or by assisting participating administrations to identify alternative sources of donor support.¹³⁹ The WCO has developed the necessary tools for implementation, trained 150 experienced customs officers to use these tools and maintains a pool of accredited facilitators who support the process of self-assessment in beneficiary economies.

¹³⁸ Workshops have been conducted on a national basis in the Czech Republic, Sri Lanka, Zambia, India and Vietnam and on a regional basis in Japan, Lesotho and Australia.

¹³⁹ WCO CRM Programmes have been completed in Latvia, Senegal, Uganda, and are currently under implementation in Cuba, Lithuania, Mauritius, Namibia, Sri Lanka and Vietnam and on regional basis in the Southern African Development Community (SADC). The Programme is currently under preparation in Bangladesh and Mongolia.

WCO Technical Assistance Activities

The WCO offers 38 standard training programs in the fields of Harmonized System, customs valuation, origin of goods, customs procedures, computerization of customs, enforcement, organization and human resources development in customs administrations. The WCO has developed 66 training modules to assist technical training for customs officers. The WCO carries out approximately 250 seminars, training courses and expert missions for which it spends about \$2 million annually. In 2000/2001 fiscal year, more than 30% of the WCO's technical assistance expenditures was spent on programs for the Africa region and 27% for the Asia-Pacific region. During the same period, about 37% of technical assistance expenditures went to programs in customs valuation, procedures and Harmonized System.

AF.4 World Bank (WB)

Trade Facilitation projects feature in several of the Bank's activities, such as project lending (transport), adjustment lending (customs, quality standards and simplification of procedures), technical assistance loans (customs modernization) and economic and sector work (export promotion and competition). Historically, there have been three phases of World Bank involvement: During the 1980's, most Bank activities concerning trade facilitation had transport facilitation as their goal. The very first transport sector work facilitation took place in Latin America in 1976. In the mid-1980's isolated trade facilitation components, particularly focusing, on governance reform, have been included more and more in structural adjustment loans (Metrology, Standards, Deregulation of Prices). Since 1990, Bank initiatives have explored ways of addressing the wide range of policy and administrative issues involved in trade enhancement, leading, to useful conditionalities in adjustment loans, new types of technical assistance and new types of projects.

In 1987, the Bank's Transportation Department prepared a general review of projects in transport facilitation and logistics, finding that World Bank lending for non-infrastructure transport operations only accounted for 2 per cent of overall transport lending.

Major projects since 1977 include: Analysis of Road Transport Industry in Central America (1977); India Containerization Study (1979); Intermodal Transport in Latin America (1982); Logistics Cost Study, Zaire (1990); Philippines Competitiveness Assessment (1992); UDEAC, Regional Policy Reform Program (1993); Lebanon-Revenue Enhancement and Fiscal Management Project (1995); Pakistan Logistics Cost Study (1996); Jordan Economic Reform and Development Loan (1996); Rwanda Commodity Export Diversification Study (1998), Côte d'Ivoire - Agricultural Sector Adjustment Credit (1995), Economic Recovery Credit (1996), Private Sector Development Adjustment Credit (1996), Transport Sector Adjustment/Investment Credit (1998); Nepal – Multi-modal Transit and Track Facilitation Project (1986, 1992, 1997); Pakistan -Trade and Transport Facilitation Project (1993, 1996, 1999).¹⁴⁰

¹⁴⁰ For a detailed description of the Lebanon 1995 and Jordan 1996 programs, see the World Bank presentation at the WTO Trade Facilitation Symposium in March 1998; WTO document G/C/W/115.

In collaboration with other partners the World Bank is preparing a project to help six economies in the South East Europe region improve customs procedures (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia and Romania). The program aims to integrate the efforts of the governments, EU, SECI¹⁴¹ and the World Bank Group for: (a) physical improvements to border crossings, (b) technical assistance to strengthen the customs administrations, (c) computerization of procedures at the border crossings and electronic filing of customs declarations, and (d) improved exchange of information between the border control agencies and the business community, through seminars and the development of Internet web sites ("trade facilitation"). At the regional (i.e. international) level a steering committee has been created to provide a forum for the exchange of experience among the economies, the collective aligning of procedures on EU standards, and the coordination of operating practices at "paired" crossing points. Thereby the Program aims to: (i) reduce costs to trade and transport; (ii) reduce smuggling and corruption at border crossings; and (iii) strengthen regional partnerships and expand regional trade¹⁴².

In 1999, the World Bank launched the Global Facilitation Partnership for Transportation and Trade (GFP) to provide a focus and forum for the public and private sectors, who want to bring about lasting, significant improvements in the invisible infrastructure of transport and trade in all interested Bank member countries. It is foreseen that partners will design and undertake specific programs towards meeting this objective, making use of their respective comparative advantage in the subject matter in a coordinated fashion. In support of this purpose, the areas of collaboration are expected to include the following: (i) sharing agendas of common interest; (ii) pooling resources and expertise where appropriate; and (iii) sharing knowledge and ideas. The GFP has now 49 members, from both the public and private sectors, and including most of the main international institutions involved in facilitation¹⁴³.

The World Bank and all GFP Partners agree on pursuing:

- the establishment of a comprehensive Facilitation Audit Framework, combining qualitative assessment with a simplified set of data on efficiency of trade and transport transactions; the corresponding Facilitation Audit Methodology is now being published by the World Bank as the first GFP product, and should become available by end-March 2000;

¹⁴¹ The Southeast European Co-operative Initiative (SECI), is a forum in which representatives of the participating states meeting to discuss common regional economic and environmental problems calling for concerted action and developing region-wide plans for dealing with these problems. For additional information, see <http://www.unece.org/seci/seci.htm>.

¹⁴² For additional information on this program, see <http://www.seerecon.org/RegionalInitiatives/tfse.htm> and <http://www.seerecon.org/RegionalInitiatives/TTFSE/tfsepid.htm>.

¹⁴³ For additional information on the Global Facilitation Partnership for Transportation and Trade, see <http://wbln0018.worldbank.org/twu/gfp.nsf>.

- The definition of systematic approaches to measurement, based on a set of facilitation indicators on transportation and cross-border processes, to be systematically collected;
- The monitoring and publishing on a regular basis of data on these facilitation indicators;
- Any commonly agreed initiative aiming at promoting trade and transport facilitation programs through education, training, and targeted technical assistance activities.

Trade Facilitation-Related Adjustment Lending and Technical Assistance

As a development lending institution, the World Bank has always been active in trade-related lending. Through the mid-1990s, trade related lending focused largely on trade liberalization measures, such as quantitative restrictions, duties, subsidies, export financing, and customs. Recently, however, bank policy lending has been rather focused on trade facilitation measures, such as privatization, public enterprise restructuring, and regulatory reform.¹⁴⁴ In fiscal year 2000, there were about 232 lending operations for a total of \$15.3 billion (including both IBRD lending of \$10.9 billion and IDA lending of \$4.4 billion). About 41% of this total lending was adjustment lending, which is more geared toward policy reform activities. It is also estimated that 13 projects totaling \$650 million were related to trade promotion and facilitation.¹⁴⁵

AF.5 Organization for Economic Cooperation and Development (OECD)

While the OECD is not engaged in trade facilitation, *per se*, the OECD, as an intergovernmental organization with a multidisciplinary dimension, undertakes a number of activities dealing with specific sectoral issues, some of which enhance trade efficiency.

Consumer cross-border transactions, including parcel delivery and customs

The OECD Committee on Consumer Policy has been examining a number of issues related to consumer cross-border transactions, including parcel delivery and customs. Roundtables were held in June and October 1996 to examine issues that might impact the cost of shipping parcels internationally. At a subsequent roundtable on the simplification of customs clearance procedures (September 1997), organized in cooperation with the World Customs Organization, participants discussed policy approaches for simplified procedures that could benefit consumers as well as customs authorities and businesses. Current work on these issues is, for the moment, focused on

¹⁴⁴ See World Bank Report, *Trends in World Bank Trade-Related Lending*, (May, 2000), and Wilson (2001), *Trade Facilitation Lending by the World Bank: Recent Experience, Research, and Capacity Building Initiatives*, Presented at the WTO Workshop on Technical Assistance and Capacity Building in Trade Facilitation, in Geneva, May 2001.

¹⁴⁵ See Wilson (2001).

fiscal aspects of customs and is being done by OECD's Committee for Fiscal Affairs in consultation with the WCO.

Information, Computer and Communications Policy

In May 1997 the Committee for Information, Computer and Communications Policy (ICCP Committee)¹⁴⁶ issued a report on Global Information Infrastructure - Global Information Society (GII-GIS), which set forth recommendations addressed to governments and international organizations suggesting policy directions to enable the private sector to take the lead in the development and implementation of the GII-GIS. Since then the Committee has taken the lead in the analysis of policy frameworks for electronic commerce, showcased in a series of international meetings in Turkey, Finland (1997), Ottawa (1998) and Paris (1999) which have stressed *inter alia* the policy issues which need to be addressed if electronic commerce is to fulfill its potential to facilitate international trade.

With respect to telecommunications policy and international commerce, the ICCP Committee's Working Party on Telecommunications and Information Services Policy activities include assessment of the economic effects of changes in communications policies on international trade-related issues. Studies have focused on interconnection and equal access to networks by competing operators; pricing strategies and competition in mobile telephony; policy frameworks and pricing for information infrastructures; and employment changes in the telecommunications industry. Studies were also conducted of the international accounting rates system.

More recently the Working Party has examined the Internet access prices, infrastructure indicators, traffic exchange, domain name allocation policies and has studied its potential impact as an alternative to conventional telephone networks. Currently, electronic commerce has been a priority area for the Working Party. In 1999 a Review of Market Openness and Trade in Telecommunications was conducted and a report on leased line developments and pricing Building Infrastructure Capacity for Electronic Commerce was produced. Work on market liberalization is addressing the issue of encouraging competition in the local loop. The biennial Communications Outlook provides key indicators and policy analysis related to trade aspects.

The ICCP Committee's Working Party on the Information Economy is studying the software industry, including aspects of trade development and the recent evolution of Intellectual Property Rights related to software. Furthermore the bi-annual Information Technology Outlook provides an overview of trade developments in the IT sector and compiles IT policy profiles, including trade-related policies.

¹⁴⁶ The ICCP Committee works on policy issues related to information and communications technologies and their impacts on the economy and society, including such matters as electronic commerce and the Internet.

At the Ministerial Conference in Ottawa in October 1998 referred to above, Ministerial Declarations that establish baseline principles and goals, and provide guidance regarding the OECD's further work, were adopted in three critical areas, i.e. Protection of Privacy on Global Networks, Consumer Protection in the Context of Electronic Commerce, and Authentication for Electronic Commerce. So far, the main achievements with relevance to trade facilitation include the OECD Privacy Policy Statement Generator and the Report on Transborder data Flow contracts.

The work of the ICCP Committee's Working Party on Indicators for the Information Society is also relevant to trade facilitation. It has recently agreed upon definitions and key indicators for the Information and Communication Technologies sector and is working on the electronic content sector and electronic commerce.

Regulatory reform

The OECD has been engaged in concerted work on regulatory reform since its 1995 Ministerial Meeting. In 1998, a series of reviews was initiated Organization-wide of regulatory systems and reform efforts in different OECD economies. In this context, the Trade Committee has been studying the market access effects of domestic regulations (including those for administering trade). The analysis has examined in particular the extent to which economies achieve efficient regulation through the application of six principles: i.e. transparency and openness of decision-making; non-discrimination; avoidance of unnecessary trade restrictiveness; use of international harmonized measures; recognition of other economies' regulatory measures; and application of competition principles from an international perspective.

In the review, particular attention is paid to selected sectors such as telecommunication equipment, automobile, electricity and telecommunication services. With respect to the use of international harmonized measures, the Chemicals Committee and the Environment Policy Committee are working for harmonization of national chemical safety policies and instruments and harmonized global control system for trans-boundary movements of wastes.

International air cargo transportation

The OECD has been exploring the possibility of liberalizing the provision of air cargo services since 1997. Work on this subject covers not only service-market access issues but also several practical hindrances that air-cargo service providers are facing, such as those found in customs procedures and documentation and ground-handling services. In this context, trade facilitation measures, such as simplification of control on cargo in transit, acceleration of customs clearance and documentation simplification, are referred to and advocated in the work. The OECD organized workshops on Regulatory Reform in International Air Cargo Transportation in July 1999 and October 2000, where many industry and government representatives exchanged views on market access matters and practical hindrances.

Integrity and corruption

Due to increasing concerns that corruption may counteract any trade facilitation efforts, OECD has studied, since 1996, the issue of integrity and corruption from the point of view of both public sector and private sector, emphasizing its adverse effect on national development. The most significant development in this field is the entry into force of the “Convention on Combating Bribery of Foreign Public Officials in International Business Transactions” in February 1999. Thirty-four economies have signed for the accession. Among them, twenty-one economies have been subject to close monitoring to determine the adequacy of their implementing legislation, and these economy review reports have been available to the public on the OECD Internet site.

In order to assist in the evaluation of government systems to promote integrity and fight corruption, in 2000, the OECD published a report which presents the first ever comprehensive database of integrity measures in OECD countries and includes an analysis of common trends and good practices.¹⁴⁷ Also in 2000, the Trade Committee has undertaken an analysis of the “Potential Anti-Corruption Effects of WTO Disciplines”, which discussed how trade facilitation provisions in existing WTO agreements contribute to improving transparency, limiting arbitrariness and thereby reducing the opportunities and motivations for corruption in trade procedures.

AF.6 International Monetary Fund (IMF)

Work of the IMF relating to trade facilitation can take place in a number of contexts: (1) as part of its regular consultations with member economies on their economic policies and developments; (2) as a component of member economies’ stabilization programs that are supported by IMF resources; and, most notably, (3) in the form of technical assistance when requested by member economies.

Technical assistance on trade facilitation can involve both tariff policy and customs administration. On tariff policy, the assistance typically includes assessing the revenue impact of lowering and restructuring tariff rates, the tariffication of quotas, and the removal of other non-tariff barriers; as well as the identification of compensatory revenue measures. On customs administration, the assistance often comprises aligning customs legislation and procedures with international standards and practices such as the WTO Customs Valuation Agreement or the WCO Kyoto Convention; modernizing the customs organization and clearance procedures (including the use of pre-shipment inspection services); and formulating strategies to create an environment that facilitates the flow of cargo, reduces costs of operations, promotes the transparency of procedures, and increases compliance.

¹⁴⁷ Following the “1998 Ministerial Council Recommendation on Improving Ethical Conduct in the Public Service”, the report on the implementation of the recommendation, “Trust in Government: Ethics Measures in OECD Economies”, was submitted to the OECD Ministerial Council in June 2000.

AF.7 International Trade Centre UNCTAD/WTO (ITC)

ITC is a technical cooperation organization that deals with the operational aspects of trade promotion and export development. It complements the research, policy, deliberative and normative work of its parent bodies, WTO and UNCTAD. As such, it does not, therefore, have a proactive role in trade facilitation, but it is concerned with the improvement of the performance of businesses, particularly SMEs, in entering into international trade transactions, within the existing regulatory environment.

For instance, ITC provides technical assistance for capacity building in developing economies and economies in transition to enable them to implement the WTO Agreements on TBT and SPS. This is done through consultancy missions, training, seminars and the provision of information technology equipment. The focus is on the establishment/strengthening of National Enquiry Points required by these agreements. These NEPs contribute to trade facilitation by providing information on technical regulations/sanitary and phytosanitary measures in their domestic markets to exporters to their economies. They also provide similar information about requirements in export markets to exporters in their economies. ITC publishes handbooks and bulletins on Export Quality Management, some of which provide information about technical requirements in specific economies for specific products.

AF.8 International Maritime Organization (IMO)

The International Maritime Organization, established by a Convention adopted under the auspices of the United Nations in Geneva on 17 March 1948, met for the first time in January 1959. It has currently 158 Member States. The IMO is a specialized agency of the United Nations responsible for improving the safety of international shipping, facilitation of international maritime traffic, prevention of marine pollution from ships, and legal matters, including liability and compensation issues. The adoption of maritime legislation is still IMO's most important concern. Some 40 conventions and protocols and well over 800 codes, recommendations and guidelines have been adopted by the Organization and most of them have been amended on several occasions to ensure that they are kept up to date with changes taking place in world shipping. Since 1960, the IMO has been involved in the facilitation of international maritime traffic.

Convention on Facilitation of International Maritime Traffic (fal)

The Convention on Facilitation of International Maritime Traffic was adopted by IMO in 1965. It has currently 84 Contracting Parties. Its main objectives are to prevent unnecessary delays to ships, passengers and cargoes in maritime traffic; to aid co-operation between governments; and to secure the highest practicable degree of uniformity in formalities, documentary requirements and other procedures. The Convention has been amended several times.

Other relevant IMO Conventions related to trade facilitation are the following:

Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation;

Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms Located on the Continental Shelf;

International Convention on the Safety of Life at Sea (SOLAS), 1974;

International Convention on the Prevention of Pollution from Ships as modified by the Protocol of 1978 (MARPOL 73/78);

International Convention on Load Lines (LL), 1966;

- Special Trade Passenger Ships Agreement (STP), 1971;
- International Regulations for Preventing Collisions at Sea (COLREG), 1972;
- International Convention for Safe Containers (CSC), 1972
- Athens Convention relating to the Carriage of Passengers and their Luggage by Sea (PAL), 1974;
- Convention on Limitation of Liability for Maritime Claims (LLMC), 1976;
- International Convention on Tonnage Measurement of Ships (TONNAGE), 1969.

AF.9 International Civil Aviation Organization (ICAO)

The basic objective of ICAO in the field of facilitation is to promote productivity, security, compliance and customer service in the context of international border clearance formalities, in accordance with Article 44 (d) of the *Convention on International Civil Aviation* (Chicago Convention). In order to pursue this objective the facilitation program of ICAO retains the original strategies of reducing paperwork, standardizing documentation and simplifying procedures, in order to minimize delays for the customers. In recent years, as traffic volumes outgrew the traditional facilities and clearance methods, the focus of Annex 9 to the Chicago Convention, which contains Standards and Recommended Practices on facilitation of air transport, shifted to inspection techniques based on risk management and assisted by modern technology, with the objectives to increase productivity and reduce congestion in airports. Most recently, responding to the current needs of Contracting States, the program pursues new priorities. These are to enhance compliance and security, control abuses such as narcotics trafficking and travel document fraud, and to support the growth of international trade and tourism.

The ICAO introduced guidelines to Contracting States calculated to reducing congestion in passenger terminals and cargo facilities at international airports by improving the processes by which traffic is cleared through the necessary formalities of inspection authorities such as customs, immigration and quarantine. Since 1998, ICAO has undertaken substantial revision of Chapters 1 to 4 of Annex 9 which address the clearance of passengers, cargo and aircraft, and is in the process of preparing a facilitation manual that would offer the user improved comprehension of the Annex. Additionally, technical specifications on machine readable passports have been revised and technical specifications on official travel documents will be released later in 2000. At present, ICAO is revising all of Annex 9, including international Standards and Recommended Practices of Chapter 4 (Cargo).

AF.10 United Nations Commission on International Trade Law (UNCITRAL)

Established by the UN General Assembly in 1966, UNCITRAL's objective is to help reduce or remove obstacles to the flow of trade caused by disparities in national laws governing international trade through furthering the progressive harmonization and unification of the law of international trade. In the areas of work relating to trade facilitation, the Commission is dealing with the international sale of goods and related transactions; international transport of goods; international commercial arbitration and conciliation; international payments; and electronic commerce.

AF.11 Association of Southeast Asian Nations (ASEAN)

Trade Facilitation efforts within ASEAN intensified in the context of the AFTA initiative although ASEAN had already put in place a Customs Code of Conduct as far back as 1983. A first significant step was undertaken at the first Directors-General of Customs Meeting in early 1995 where it was agreed to initiate measures to facilitate trade in goods and services within the region, in order to support the implementation of AFTA.¹⁴⁸ The *ASEAN Agreement on Customs* was signed at the First ASEAN Finance Ministers Meeting on 1 March 1997¹⁴⁹. This Agreement espouses the principles of consistency, availability of access to appeals, simplicity, transparency, efficiency and mutual assistance.¹⁵⁰

In 1997, ASEAN Customs Vision 2020 was developed to provide the necessary directions into the 21st Century.¹⁵¹ Then, a Policy Implementation and Work Programme (PIWP) for realizing the vision was formulated. The PIWP specifies the objectives, activities and outputs planned for the first cycle (1999-2004) implementation of the Vision. Its objectives are: Post Clearance Audit; Cargo Processing; Customs Valuation; Tariff Classification; Goods in Transit; Automation; Enforcement; Temporarily Admitted Goods; Strategic Planning and Management; Mutual Assistance; Transparency Enhancement; Training and Human Resource Development; Technical Assistance to New Members of ASEAN; International Customs Fora; Partnership with the Business Community.

AF.12 The Asia-Europe Meeting (ASEM)

The Asia-Europe Meeting (ASEM) is a gathering of heads-of-government from 10 Asian and the 15 European Union Member states¹⁵² as well as the President of the European Commission. Its objective is to strengthen the political, economic and cultural

¹⁴⁸ The ASEAN Customs Code of Conduct was then revised in 1995.

¹⁴⁹ New Member Economies Lao PDR and Myanmar acceded to the Agreement on 23 July 1997, when they were admitted into ASEAN. Cambodia acceded to the Agreement on 30 April 1999.

¹⁵⁰ Under this Agreement, ASEAN member economies agreed in the following areas: Tariff Nomenclature; Customs Valuation; Customs Procedures; Information Exchange; Appeals; Private Sector Participation.

¹⁵¹ In 1997, ASEAN Customs Director-Generals agreed on the following vision for Customs 2020: "an ASEAN Customs Partnership for World Class Standards and Excellence in efficiency, professionalism and service, and uniformity through harmonized procedures, to promote trade and investment and to protect the health and well-being of the ASEAN community."

¹⁵² The ten Asian participants are: Brunei Darussalam, China, Indonesia, Japan, Republic of Korea, Malaysia, The Philippines, Singapore, Thailand and Vietnam.

ties between the two continents. The inaugural ASEM was held in Bangkok in March 1996, and it started a series of initiatives involving both the public and private sectors of all ASEM Countries. At the Second ASEM, held in London in April 1998, a Trade Facilitation Action Plan (TFAP) was adopted. It aims, *inter alia*, at reducing non-tariff barriers (NTBs), increasing transparency and promoting trade opportunities between the two regions while complementing and considering work being carried out in bilateral and multilateral fora. The TFAP identified seven priority areas for the period of 1998-2000, i.e. customs procedures; standards, testing, certification and accreditation; public procurement; quarantine and SPS procedures; intellectual property rights; mobility of business people; and other trade activities.

Although the TFAP is not itself a forum for negotiations, it contributes to the goal of promoting greater trade between Asia and Europe and facilitating and liberalizing trade between the two regions. Implementation of TFAP is supervised by the Senior Officials' Meeting on Trade and Investment (SOMTI)¹⁵³.

At the second Economic Ministers' Meeting (EMM II) in Berlin on 9-10 October 1999, Ministers specifically emphasized the importance of achieving substantive progress and of the need for the TFAP agenda to be more forward-looking, focusing on concrete steps towards implementing its objectives. In urging a more practical approach, Ministers adopted a paper on the Future of TFAP. SOMTI VI (May 2000) recognized that the seminars which took place in the different areas of work of TFAP have enabled the officials to better understand each partner's policies and practices, to agree on a number of best practices. It also adopted a Consolidated and Prioritized List of the Major Generic Trade Barriers among ASEM Partners with a view to reducing and removing them.

AF.13 Inter-American Development Bank (IDB)

The Inter-American Development Bank finances technical assistance projects supporting customs modernization and reform in the economies of Latin America and the Caribbean. Over the past decade, the IDB has financed twenty-six projects that deal exclusively with customs modernization. Currently, fourteen projects with IDB financing are underway in 12 countries, plus two regional projects. All of these projects include trade facilitation as one of the main objectives, precisely following the World Customs Organization guidelines. A region-wide technical assistance project was also approved in mid-2000 to support the implementation of trade and business facilitation measures in member countries of the Free Trade Area of the Americas (FTAA). The IDB is also financing the implementation of a quality assurance system, applying the International Organization for Standardization (ISO) standards 9000, in one Latin American economy's customs service.

¹⁵³ For further information and documentation on ASEM and the TFAP, consult the following web-sites: http://europa.eu.int/comm/external_relations/asem_ipap_vie/intro/index.htm, and http://europa.eu.int/comm/external_relations/asem/intro/index.htm

AF.14 Free-Trade Area of the Americas (FTAA)

The FTAA's origins date back to the first Summit of the Americas in Miami in December 1994 where the Heads of State of the 34 democracies in the region agreed to construct a "Free Trade Area of the Americas" (FTAA). The formal negotiations were launched by Leaders at the second Summit of the Americas in Santiago in April 1998 with a commitment to conclude an agreement by 2005. The Summit process engages the member countries in an integrative and co-operative forum to promote economic, social and political development¹⁵⁴.

The FTAA's Trade Negotiations Committee¹⁵⁵ regularly convenes special meetings of experts on Customs-Related Business Facilitation Measures. Work at these meetings has led to the adoption of 8 customs-related Business Facilitation Measures by Trade Ministers in their Declaration at the fifth Ministerial Meeting in Toronto on 4 November 1999.¹⁵⁶ Those 8 customs-related measures annexed to the Declaration were: Temporary Importation / Temporary Admission of Certain Goods Related to Business Travelers; Express Shipments; Simplified Procedures for Low Value Shipments; Compatible Electronic Data Interchange (EDI) Systems and Common Data Elements; Harmonized Commodity Description and Coding System; Customs Information Dissemination/Hemispheric Guide on Customs Procedures; Codes of Conduct for Customs Officials; Risk Analysis/Targeting Methodology.

In addition to these customs related measures, Ministers agreed to take a number of transparency measures in order to "make our procedures and regulations better known and more accessible to the public"¹⁵⁷. Ministers further directed the TNC to continue to work on facilitation since they agreed that business facilitation is an ongoing process. Technical assistance to facilitate implementation of these measures, particularly in smaller economies will be carried out by FTAA countries, as well as the IDB.

AF.15 Common Market of the South (MERCOSUR)

Until 1999 neither a special forum, nor a comprehensive approach on trade facilitation existed among Mercosur member economies. Based on the Treaty of Asuncion (1991) and the Protocol of Ouro Preto (1994), which sketch the principles and the aims of the integration process, a number of Working Groups and Technical

¹⁵⁴ For further information on the FTAA, see <http://www.ftaa-alca.org/>

¹⁵⁵ Under the oversight of the Trade Negotiations Committee, 9 Negotiating Groups address the following issues: Market Access; Investment; Services; Government Procurement; Dispute Settlement; Agriculture; Intellectual Property Rights; Subsidies, Antidumping and Countervailing Duties; and Competition Policy. In addition, a [Consultative Group on Smaller Economies](#), a [Committee on Civil Society](#), and a Joint Government-Private Sector [Committee of Experts on Electronic Commerce](#) were established.

¹⁵⁶ Ministers declared, "... in the area of customs, we agree to implement, beginning on January 1, 2000, the eight specific measures set out in Annex II to this Declaration. These measures will contribute significantly to the conduct of business in the hemisphere by reducing transaction costs and creating a more consistent and predictable business environment."

¹⁵⁷ These transparency measures do not relate directly to transparency as concerns trade procedures. They address mainly publication and dissemination of FTAA documents. The annex can be accessed at <http://www.ftaa-alca.org/ministerials/minisA3e.asp>

Committees were set up in order to foster harmonization of the rules and procedures that prevailed in each Member State, as well as to draw common regulations.¹⁵⁸

However, based on the 1992 Recife Agreement, common border control points were implemented in 1994. Since then, seven common border points destined to goods control were implemented, five of which are located in Brazilian borders. There are also some common border points destined to tourism control (people and low-value goods) in operation. In 1997, an "Agreement on Co-operation and Mutual Assistance among Customs Administrations concerning prevention and repression of illicit practices" was concluded and implemented between the four Mercosur member economies. This Agreement supplements the bilateral co-operation that exists between common customs points at borders.

With the significant increase of trade flows among Member States, the four Mercosur members decided to adopt a "package" of measures designed to facilitate commercial transactions. This Decision by the Common Market Council developed into a more consistent and detailed program known as "Plan of Asuncion." The implementation of this Plan is still under negotiation. In addition to the points set out in the Action Plan, directives have been enacted to implement a single freight form, a single request form for temporary export and import of goods, a single value declaration form, a single phytosanitary certificate, common rules for phytosanitary inspections, and a working timetable for integrated borders control areas. In addition, a Mercosur Harmonized Product Description and Coding System Nomenclature (NCM), a directive on mutual recognition and equivalence of control systems have been implemented. Moreover, a new version of a Mercosur Customs Code has been under negotiation since 1996.

AF.16 The G7

At the Lyon summit in June 1996, the G7 heads of state and government launched an initiative for the standardization and simplification of customs procedures. The G7 finance ministers and the representative of the European Commission took up this initiative in connection with the preparations for the 1998 G7 summit in Birmingham, formulated the mandate to the experts and set the year 2000 as a target date. At the Kyushu-Okinawa Summit Meeting of the G7 finance ministers in Japan in July 2000, the results achieved so far were approved and the mandate from the year 1996 was brought up to date.

Work undertaken under this G7 initiative addresses the following issues: Paperless data interchange; Harmonized and standardized data; Reducing the amount of data; Data Interchange and the concept of a "Seamless data flow"; Standardization of the data requirements of other governmental agencies; Production of customs prototypes. G7

¹⁵⁸ The main Working Groups and Technical Committees involved in trade and customs facilitation are: WG-3 (Technical Barriers), WG-5 (Transport), WG8 (Agriculture), WG-11 (Health) and TC2 (Customs-related matters). These bodies are co-coordinated by the Common Market Group (GMC) and the Mercosur Trade Commission (CCM).

countries have drawn up the data sets needed for the various customs procedures. In order that the various procedures may be compared and appraised, the individual data sets have been combined in a comprehensive file. This comprehensive file, the "G7 DATA BASE", is continuously being brought up to date according to the standards of the G 7 working group. The individual data sets are: cargo report data set; import data set; cargo release data set; export data set.

Work in the area of data harmonization and EDIFACT mapping has almost been completed for import and export procedures. In view of the fact that EDI standard messages are most efficient in reducing costs for traders and authorities when they are applied as widely as possible, G 7 customs experts have called upon other economies and organizations to participate in the prototypes as well. Mexico, Australia, New Zealand and Singapore have already shown interest in such a participation.

Coordination with WCO, EU and APEC

Due to its extensive experience in the development of customs standards and in the harmonization of customs procedures, the WCO has been involved from the outset in this G7 Initiative. In addition, the WCO had initiated and coordinated the development of the UN/EDIFACT customs messages. The G7 customs experts are in agreement that the WCO should take over the management of the G7 results (the G7 data set and EDIFACT message specifications) in order to take them beyond the framework of the G7 into an internationally valid and implemented standard. For this purpose, the WCO had previously started its own WCO Common Customs Data Model Project, in which the G7 results could be integrated.

The simplifications sought at G7 level cannot be implemented without changes in the legislation of the G7 countries. For the four G7 countries being member of the EU this will mean changing the EU customs law, which is applicable to all 15 EU members. This requires agreement over the G7 results from all EU customs administrations, but it means at the same time that the G7 results will be implemented in many more economies from the outset. Therefore, the European Commission has been involved in the G7 discussions from the very beginning.

Moreover, the customs experts have agreed in March 1999 to invite a representative of a similar APEC project to the G7 discussions, in order to ensure that the development of the APEC project can be harmonized and synchronized with that of the G7 initiative, and facilitate dissemination of the G7 results throughout the 20 economies of the Asian-Pacific economic area. It is understood that if all EU and APEC economies implement the G7 proposals, they will be very close to becoming a de facto international standard.

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