

APEC Economies

BREAKING

DOWN

THE

BARRIERS

Case studies in regulatory
and administrative
reforms



Asia-Pacific Economic Cooperation

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Asia-Pacific Economic Cooperation

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Highlights

- APEC economies are implementing wide-ranging regulatory and administrative reforms, resulting in improved market access, increased efficiency and reduced impediments to competition and innovation.
- The benefits of regulatory and administrative reforms are significant. Trade facilitation measures implemented to date will add 0.25 per cent or US\$46 billion (in 1997 prices) to APEC's real gross domestic product by 2010.
- The implementation of more efficient and effective regulatory and administrative procedures benefits all participants – governments, businesses and consumers.
- The reforms have generated large reductions in compliance and administrative costs, and in some cases have underpinned far-reaching domestic reforms that have significantly improved efficiency across a range of sectors.
- Despite their diversity, the reforms share some important common elements, including consultation, a service culture and competition.
- APEC cooperation in trade facilitation is helping to lay out blueprints for administrative improvement and regulatory reform, and to provide a framework for networking and exchanges between practitioners.
- APEC ECOTECH – economic and technical cooperation – is promoting capacity-building to support the implementation of economies' action plans across all aspects of the reforms highlighted in this report.

Improving market access through regulatory and administrative reforms

Since its formation in 1989, APEC has shown leadership by identifying trade facilitation as a priority for action by member economies. Trade facilitation remains a priority on the APEC agenda. This report highlights improvements in market access made by various APEC economies through trade facilitation initiatives, including regulatory and administrative reforms.

From a business perspective, trade facilitation is about reducing transaction costs in cross-border trade, without compromising consumer protection, health, safety or public security. For the consumer, it is about more choice and lower costs.

APEC economies have significantly reformed trade and investment regulations and administrative arrangements by simplifying rules and streamlining procedures. These reforms are generating major economic benefits. Trade facilitation measures implemented to date will add 0.25 per cent or US\$46 billion (in 1997 prices) to APEC's real gross domestic product by 2010. This is nearly double the economic benefit from completed tariff reductions (APEC 1999).

This report presents case studies from a number of APEC member economies: Australia; Hong Kong, China; Indonesia; the Republic of Korea; Mexico; Peru; the Philippines; Singapore; Chinese Taipei; Thailand; and the United States.

The case studies — topics and economies					
Customs and quarantine	Regulation of telecommunications equipment	Regulatory review reform	Foreign investment	Provision of trade information	Government procurement
Australia	Australia	Mexico	Korea	United States	Chinese Taipei
Indonesia	Hong Kong, China	Peru			
Philippines					
Singapore					
Thailand					

The case studies deal with initiatives in a diverse set of areas, including customs and quarantine procedures, regulation of telecommunications equipment, institutions for regulatory review and promotion of competition, foreign investment facilitation, provision of trade information and government procurement. These initiatives are not just facilitating international trade and investment – they are also improving the overall market environment for domestic as well as international business transactions.

Summaries of the case studies are presented in the appendix. The full case studies are available on APEC’s website (<http://www.apecsec.org.sg>).

The case studies reveal the significant benefits to be gained by implementing regulatory, institutional and administrative reforms that improve market access. They also demonstrate that there are some common principles and themes that are guiding reforms in these areas, including consultation, transparency, cooperation, technology, a service culture and competition.

Common themes in reforms

Consultation	Providing channels to consult with key stakeholders and interested parties — in both the design and ongoing implementation of new and improved arrangements
Transparency	Ensuring that all administrative arrangements and the processes behind them are transparent and facilitate public access to information
Cooperation	Promoting — and taking advantage of — international and interagency cooperation
Technology	Exploring technology as a mechanism for reducing administrative and transaction costs and increasing the scope of services that can be provided
Service culture	Promoting a culture of providing services efficiently within administrative agencies
Competitive markets	Looking for a competition dimension in administrative arrangements, ensuring that regulations meet appropriate objectives with minimal impediments to competition

Reforming customs and quarantine procedures

Many APEC economies have been improving their customs and quarantine procedures, often taking advantage of advances in information technology to increase efficiency and improve service delivery.

Australia

In 1994 Australia implemented a system for electronically transmitting data required for the clearance of its animal, agricultural and fish commodity exports in partner economies. An electronic document called SANCRT has been developed for use as a health certificate, a certificate on the commodity's condition or a phytosanitary certificate. It allows the Australian Quarantine and Inspection Service (AQIS) to transmit certification data to trading partners before shipments leave Australia.

Key benefits

- The electronic SANCRT system has reduced transaction costs by simplifying the process and by greatly decreasing the time required to produce export certification.
- Because the SANCRT message is transmitted directly between government agencies, it considerably reduces the possibility of the data being tampered with or falsified, something that can occur under the paper regime.
- A cleared status message allows the importer to instruct his or her bank to arrange the release of the funds to the exporter. This process can be accomplished in less time than it currently takes the exporter to collect a paper health certificate from AQIS and pass it to the bank.

Indonesia

With the introduction of the 1995 Customs Law, Indonesia introduced comprehensive reforms of its customs system. These involved the implementation of self-assessment backed by post-clearance audits, the use of an electronic data interchange (EDI) system to allow traders to submit returns electronically, and increased emphasis on professionalism and service

orientation. These reforms have been accompanied by the adoption of a red and green lane system for imports, which has reduced the amount of physical inspection of shipments.

Key benefits

Indonesia's reform of its customs system has facilitated the flow of goods by:

- reducing the cost of customs procedures and speeding up customs processing
- increasing the professionalism of the officers in the Directorate for Customs
- improving customs services and the overall image of customs
- increasing public awareness of fair business practices
- reducing illegal trade activities.

The Philippines

After automating customs procedures using an EDI system, the Philippines introduced the Super Green Lane (SGL). The SGL is a special customs clearance facility that allows advance processing and clearance of imports for traders that represent a low risk to customs control. Effectively, SGL shipments are cleared before they arrive at Philippine ports.

Key benefits

The Philippines' Super Green Lane has benefited users through the faster release of imports, speedier delivery of goods (particularly raw materials), and lower costs.

Characteristic	Before EDI and the SGL	After EDI and the SGL
Submission of documents	By dispatch clerks	From comfort of office
Time of submission	Within office hours only	Available 24 hours daily
Time for release of goods	6–8 days	3 hours
Cost for at least 25 transactions	PHP33 415 (US\$668)	PHP9388 (US\$188)

Singapore

Singapore introduced TradeNet – its EDI system for electronically submitting trade declarations – in 1989. Before TradeNet, traders had to prepare multiple copies of declaration forms and physically deliver them to government agencies for processing. With TradeNet, users prepare a single permit application for submission to the various regulatory authorities. Traders can file the application from their own offices. Permit applications are routed electronically to the relevant government agencies for processing and approval. Upon approval, the permits are returned to the traders, who can print hard copies in their offices.

Key benefits

TradeNet has revolutionised the trade documentation process in Singapore and has been identified as one of the strategic national information systems that have enhanced the economy's international competitiveness. TradeNet has brought about a major reduction in the costs to importers of complying with regulatory and customs requirements.

The following comparisons of the manual system and the TradeNet system illustrate the key benefits.

Characteristics	Previous manual process	TradeNet
Submission of documents	By dispatch clerks	From comfort of office
Time of submission	Within office hours only	Available 24 hours daily
Trips to controlling agency per document	At least two trips	No trips required
Copies of documents	Multiple copies	Single copy
Turnaround time for approval	From 4 hours to 2 days	1–2 minutes
Dutiable goods handling	Separate documents for customs processing	Same electronic document routed to customs for processing
Controlled goods handling	Separate documents sent to different controlling agencies for processing	Same electronic document routed to controlling agencies for processing
Customs duties collection	By cheque	Automatic bank account deduction

Thailand

In the late 1990s Thailand introduced an EDI system, with the aim of:

- increasing efficiency and the quality of services provided
- reducing management and administration costs
- complementing the decision support system.

The EDI system allows for customs entry information to be transferred via an online system. Traders can link to the system or use a licensed customs broker. Traders need to meet customs officers only for document verification. All other information can be processed through the EDI system.

Key benefits

Thailand's EDI system has increased the efficiency of customs procedures.

Characteristic	Before the EDI system	After the EDI system
Document submission	Via customs officer	From comfort of office
Time of submission	Within office hours only	Available 24 hours daily
Trips to customs, shipping agents, etc.	Three trips	No trips required
Copies of documents	Five copies	Single copy
Time to complete processing	Up to three days	Less than one day
Verification of declaration form against the invoice or the cargo manifest	Via customs officer	Automatic
Payment of customs duties	Prepare cash or tax card or cheque, and pay at the Cashier Division	Electronic funds transfer

Rationalising the regulation of telecommunications equipment

Both Australia and Hong Kong, China, have reformed technical regulations affecting the telecommunications sector.

Australia

Australia's reforms have seen major changes in technical regulation of the telecommunications sector. In the past decade responsibility for technical regulation has been taken out of the hands of a monopoly carrier and given to an independent regulator. More recently there has been a move towards greater industry self-regulation. The role of the regulator, the Australian Communications Authority, is now to ensure that there are adequate safeguards for matters such as health and safety, and protection of telecommunications networks. Industry is now much more involved in developing and managing compliance. The compliance structure is designed to minimise the cost of demonstrating compliance and to facilitate market access. No product registration or compliance charges are paid, and suppliers are not required to submit test reports or products to the regulator.

Key benefits

Australia's positive experience has shown that reforming technical regulation delivers major benefits for users and industry including:

- reduced costs
- improved service delivery
- enhanced competitiveness
- increased consumer choice.

Under the new compliance system, the time for new products to get to market has been reduced by between 90 and 120 days, and at the same time costs to government have fallen and consumer choice has expanded.

Hong Kong, China

In the 1990s Hong Kong, China, changed its system for regulating telecommunications equipment in order to:

- reduce barriers to trade
- minimise costs of conformity assessment
- reduce network connection problems
- protect consumers' interests.

The Hong Kong Telecommunications Equipment Evaluation and Certification (HKTEC) Scheme has divided certification into two parts – compulsory (which applies mainly to high power radio equipment) and voluntary (which applies to most customer premises equipment and low power radio equipment).

Hong Kong, China, concluded phase I of the APEC mutual recognition arrangements for test reports with Singapore, Australia and Chinese Taipei on 5 August 1999 and is prepared to implement phase II of the arrangements for equipment certification with other economies.

Key benefits

The HKTEC scheme:

- fosters a more competitive and transparent environment
- provides suppliers with a greater choice of evaluation services from other recognised testing agencies
- recognises the importance of adopting international standards
- significantly reduces the transaction costs of international trade by recognising overseas and local agencies appointed to test the telecommunications equipment
- facilitates the development of mutual recognition arrangements with other economies.

Reforming regulatory institutions

Peru and Mexico have undertaken broad-based regulatory reform aimed at reducing administrative barriers to entry into markets, promoting competition and reducing the burden of complying with regulations. Chinese Taipei has reformed the regulation of government procurement to build an open, transparent and competitive environment for an important sector of the economy.

Mexico

Early in 2000 it became clear that Mexico's regulatory reform program needed to be isolated from political cycles, cover a wider range of regulatory activities and be institutionally strengthened. To this end, in April 2000 Mexico amended the Federal Administrative Procedures Law in order to consolidate and broaden the existing regulatory improvement program, and to ensure that regulatory requirements are developed and reviewed on the basis of analysis, transparency and public consultation. The amendments created the Federal Regulatory Improvement Commission (COFEMER) and the Regulatory Improvement Commission (a high-level consultative body comprised of business, labour, academic, rural and government representatives). These agencies have subjected many regulations to critical review, leading to major regulatory reforms.

Key benefits

Mexico's regulatory reforms have generated large economic benefits in terms of increased productivity and reduced costs.

- In telecommunications, productivity as measured by the number of lines per employee increased from 95.2 in 1989 to 163.4 in 1997.
- In the road transport sector, trucking charges fell by 23 per cent in real terms between 1987 and 1994.
- The overall cost of distributing commodities fell by an estimated 25 per cent in real terms between 1987 and 1994.
- Real port handling costs per ton of agricultural product fell by 47 per cent between 1995 and 1998, while costs for minerals fell by between 35 and 50 per cent.
- The prices of many drugs fell by 30–40 per cent following the creation of a generic drugs market after a regulatory review.

Source: OECD (1999a).

Peru

Indecopi (the Peruvian National Institute for the Defence of Competition and Protection of Intellectual Property) was established in 1993. Indecopi is an autonomous agency, charged with being both arbiter and promoter of Peru's free market economy, focusing on two areas: market competition and intellectual property. The functional body of Indecopi, the Market Access Commission, focuses on measures that restrict or limit the access of firms to domestic markets.

Any person or enterprise can file a lawsuit against a public institution at Indecopi when any regulation imposes unnecessary, unjustified or illegal barriers to trade or bureaucratic barriers to the domestic market. Indecopi, through its commissions, can also initiate 'ex officio' investigations against other public institutions that impose such restrictions, when their effect on the market is significant.

Key benefits

Indecopi's activities have affected many facets of life in Peru including:

- reform of the administration of justice
- creation of value through innovation
- facilitation of increased business competitiveness
- empowerment of consumers.

Bringing together a range of functions related to the development of a market economy under one umbrella has made it possible to exploit economies of scale in organisational know-how and goodwill.

Chinese Taipei

Another example of 'behind the border' reform with an important effect on international trade and investment is Chinese Taipei's reform of the government procurement regime. Prior to the reform, which came into effect in 1999, there were four laws regulating government procurement. These laws drew no distinction between administrative authority and auditing and created a situation in which there was no overall coordinated management of government procurement.

The reform empowers the Public Construction Commission to set government procurement policies and draw up the regulations related to the Government

Procurement Law. Procurements solicited by any government agency are governed by the law. The reforms, whose introduction involved extensive consultation, have brought about significant changes in tendering processes, including:

- extending the time limits for tendering
- publicising procurement information
- disclosing award information
- making technical specifications reasonable
- establishing a procurement opportunity database
- publishing the *Government Procurement Gazette*
- establishing the Complaint Review Board.

Key benefits

The impact of the procurement reforms has been significant.

- On average there have been more than 250 000 uses per month of the Public Construction Commission's search engine to look for news on government procurement.
- It is estimated that the amount saved each year in advertising fees has been NT\$3.0 billion (US\$86 million using the exchange rate on 19 September 2001).
- In 1999, as a result of the centralised procurement procedures, the bids awarded totalled NT\$9.7 billion (US\$309 million), which was NT\$1.3 billion (US\$41 million) less than the budgeted NT\$11 billion (US\$333 million). In 2000 the corresponding figure was NT\$19.1 billion — NT\$2.4 billion (US\$76 million) less than budgeted.
- The reform is expected to result in savings of approximately 10 per cent of the total value of government procurement.

Helping traders and investors

Korea and the United States have introduced initiatives to help local and foreign companies to deal with laws and regulations affecting international trade and investment.

Korea

Korea established the Office of the Investment Ombudsman (OIO) in 1999 to help foreign investors to resolve any grievances they may have with any government organisation. This helps to ensure that Korea provides an investment-friendly environment. The OIO is a quasi-government institution, with a degree of independence from government bureaucracy. By providing suggestions to government ministries, the OIO has played an indispensable role in helping to push for the revision of inefficient laws and regulations in the direction of deregulation and market liberalisation.

Key benefits

- During 2000 the OIO successfully handled 17 cases involving investment worth 1864 billion won (US\$1670 million).
- In January–June 2001 the OIO successfully handled 13 cases involving investment worth 646 billion won (US\$500 million) in foreign direct investment.
- The fact that reinvestment from foreign investors comprised about 60 per cent of total foreign direct investment in 2000 reflects the enormous importance of after-care service to such investment. In one celebrated case, intervention by the OIO saved a foreign investor 20 billion won (US\$18 million) in taxes.

The United States

Trade information – tariff and customs information, general information on trade investigations and trade forecasts – is vital for markets to function efficiently. The United States is increasingly providing trade-related information on the Internet. The following databases are examples of this.

- DataWeb provides trade and tariff data.
- The Electronic Document Imaging System (EDIS) provides access to public documents filed in respect of investigations by the US International Trade Commission.
- Production, Supply and Distribution Database (PSD) provides information on the US Department of Agriculture's official, short-term quantity forecasts of supply and use by country and commodity.

Key benefits

The increased availability of US trade-related data helps the business community to monitor and evaluate market opportunities and conditions of competition.

The three databases have increased the availability of trade and tariff information and its use by the public.

- There were approximately 67 000 reports generated using DataWeb in the quarter ending June 1999 and 122 000 in the corresponding quarter of 2001.
- In the first half of 2001 an average of 5385 users visited the EDIS site each month whereas in 2000 the site was visited an average of 2817 times a month.

The electronic nature of the databases has dramatically reduced the transaction costs of obtaining information.

The electronic databases have resulted in productivity gains and cost savings.

- Since the EDIS has been in place the average daily workload of the Office of the Secretary of the US International Trade Commission has doubled. However, the filing and distribution increase has been handled with no increase in personnel. In fact, the overall size of the Secretary's office has decreased.

Reaping benefits from reforms

To reap the rewards ...

The economic gains from administrative and regulatory reforms are substantial and the case studies presented in this report provide evidence of this.

Reform is about ensuring that the economic system delivers the goods and services that people need at the lowest possible cost. The reforms presented in this report have dramatically simplified processes and increased the transparency and efficiency with which the economies generate goods and services. This has resulted in lower costs for business, government and consumers. For instance, by automating customs procedures the Philippines has been able to reduce transaction costs for participating companies by more than 70 per cent.

By removing regulatory impediments to competition and fostering better corporate governance, economies have facilitated domestic innovation, greater responsiveness to consumer needs, and a more favourable environment for investment and growth. For example, by reforming the Federal Administrative Procedures Law, Mexico has generated significant economic benefits in terms of increased productivity and reduced costs, such as the 30–40 per cent decrease in the price of many generic drugs. Regulatory reforms have also made economies more resilient to the effects of external economic downturns such as the 1997–98 Asian financial crisis.

In most cases, the reason for reforms and the source of benefits arising from the reforms arose from their impact in:

- reducing prices and increasing quality and choices for domestic consumers;
- improving productive efficiency by reducing input and transaction costs;
- promoting innovation and the adoption of new products, technologies and management methods;
- increasing the adaptability of the domestic economy, in part to take best advantage of the gains from globalisation and economic integration;
- establishing institutions and methods to permit economies to more cost-effectively achieve regulatory objectives in areas such as health, safety and environmental protection; and

- safeguarding budgetary revenues, and making more efficient and effective use of public resources.

While improvement in market access was not always a primary objective of the reforms, they have all served to reduce the costs of international trade and investment transactions. In many cases, international linkages have been an important channel for realising the benefits made possible by the reforms. The case studies show how APEC economies are exploiting the scope for making improvements across many areas of government regulation and administration.

... challenges had to be faced

Although the reforms and initiatives presented have been extremely successful, their proponents faced challenges in most stages of developing and implementing the reforms. These challenges included addressing the need to:

- ensure acceptance of – and commitment to – change by all involved;
- counter the influence of vested interests negatively affected by reform;
- effect widespread legislative and institutional change;
- ensure that all stakeholders were given advance warning of changes;
- provide training for staff when new skills were required;
- address constraints imposed by limited infrastructure, especially in information technology; and
- establish interim arrangements to facilitate moving from one set of rules to another.

However, these challenges have proved to be worth the effort because they have generated important benefits in the form of:

- lower costs of administration, which has benefited the budget, taxpayers and, more widely, businesses and consumers;
- smaller costs of compliance and of completing transactions subject to administrative control, which spill over into improved competitiveness, greater consumer choice and lower prices; and
- reduced uncertainty, and better informed business and consumer choices, which in turn facilitate innovation and the adoption of new technologies, processes and management methods.

Identifying common themes

Although the case studies included in this report cover a diverse set of reforms, a number of common themes emerged, including:

- the use of technology to improve performance and to facilitate transparency and access to information;
- the use of international standards and mutual recognition of testing and certification procedures to reduce costs of compliance and barriers to achieving economies of scale, while still meeting requirements to protect health, safety and the environment;
- cooperation with trading partner governments/agencies to develop and implement more efficient systems;
- interagency cooperation based on a transaction chain approach to trade facilitation;
- ‘behind the border’ programs of domestic regulatory improvement and promotion of competitive markets to increase choice and productivity;
- extensive consultation during the development of reforms to promote public understanding and to garner support;
- the incorporation of processes for public disclosure and ongoing consultation into regulatory procedures and institutional frameworks for setting regulations; and
- the building of a service culture into operations of regulatory and administrative agencies.

Transparency in regulation and administration

Underlying all of the reforms is an attempt to meet broad objectives of transparency, accountability, predictability and participation in processes of regulation and public administration.

The emphasis on transparency reflects the priority attached to this principle in all areas of APEC’s agenda. Transparency is an important objective in many APEC forum activities – hence, its inclusion in, for example, the pledge of the APEC Sub-Committee on Customs Procedures to improve the speed, accuracy and transparency of customs transactions.

Economies have elevated transparency to an objective of regulatory and administrative reform for two reasons:

- to reduce the transaction costs of obtaining information that helps the market function effectively; and
- to provide information on government processes so that people have an understanding of why a particular policy or regulation exists, how it was developed, and what criteria and information were used in making policy and administrative decisions.

Pursuing transparency

The new administrative arrangements in **Mexico** aim to improve transparency by requiring regulatory impact statements and full public disclosure for all legislative and administrative proposals. This allows all interested parties to better understand their implications and to participate in COFEMER's review processes. The changes also stipulate severe sanctions (dismissal and a one-year suspension from public service) for public servants that circumvent transparency requirements.

Chinese Taipei's reform of the government procurement system has enhanced transparency. Procurement notices are published in a designated gazette. A government authority has been assigned responsibility for supervising procurement and for collecting and publishing data on public purchases. Also suppliers are entitled to place complaints against the procuring entity on the basis of the provisions of the WTO Government Procurement Agreement.

Transparency was a key objective of the decision by the **United States** to use the Internet to make available data on trade policies and documentation related to trade policy investigations. Ease of public access to this information demonstrates and enhances the transparency of US policies and the policy-making process. The newly available information also helps the trade community monitor and evaluate market opportunities and conditions of competition.

Technology as a tool for efficient administration

The world economy is experiencing a trade and technological revolution with rapid growth in the use of the Internet, thriving e-commerce and many other changes that are transforming the way business and trade are conducted. APEC economies are exploiting the enormous potential of electronic technology to expand business opportunities, reduce costs, increase efficiency, and facilitate the greater participation of business in global commerce in both developed and developing economies.

Technology is fundamental to all of the case studies that focus on customs and quarantine arrangements, in which computerisation has greatly reduced the need for paper documents and the time and cost associated in storing and accessing them. Each year about 9 billion documents are used around the world to support global trade in goods worth approximately US\$5 trillion. The United Nations has claimed that about 7 per cent – US\$350 billion – of this value is made up of paper administration (UNCTAD 1994). That cost is roughly equivalent to twice the total revenue of the world shipping industry (APEC 2000a).

Paperless trading

After taking into account diverse legal and regulatory frameworks in the region, APEC Ministers agreed that member economies should endeavour to reduce or eliminate the use of paper documents needed in customs and other cross-border trade administration.

The goal of paperless trading in goods is hoped to be achieved by 2005 in developed economies and 2010 in developing economies, or as soon as possible thereafter.

The improvement in efficiency due to technology has generated more certainty and, ultimately, reduced the cost of trade transactions. Customs departments have experienced a drop in costs due to the reduced need to prepare, handle, store and deliver customs documentation. More efficient clearance produces time and cost savings for traders and provides the certainty required to exploit modern business practices such as 'just in time' inventory management.

As already noted, the adoption of new technology is also the key mechanism in the case study from the United States, where internet-based systems are used to deliver information. The electronic databases have reduced the costs of storing, maintaining and accessing information.

Although new technology can significantly improve administrative arrangements, some economies may face capacity constraints in implementing technology, which may limit their ability to participate in some reforms. For example, the SANCRT system featured in the Australian case study can be implemented in only those economies that have the necessary IT infrastructure. However, APEC's ECOTECH activities, as well as bilateral initiatives such as Australia's Virtual Colombo Plan, are working to facilitate the uptake, use and maximisation of the benefits of electronic commerce in member economies.

International standards and mutual recognition arrangements

By adopting and harmonising with international standards, economies are able to achieve regulatory goals while minimising unwarranted impediments to domestic and international trade. And by applying international standards and arranging for mutual recognition of conformity assessments, economies are able to deliver reliable information in support of technical decisions and market transactions, while minimising disputes and the cost of regulatory compliance.

Both Australia and Hong Kong, China, have reduced technical barriers to trade in telecommunications equipment through reforms in regulatory arrangements that have embraced international standards and through efforts to simplify processes of compliance with these standards.

An international standard format for customs

One of the key goals of APEC's Sub-Committee on Customs Procedures is to simplify and harmonise customs procedures. The adoption and support of the standard UN electronic messaging format for automated systems, the United Nations Electronic Data Interchange for Administration, Commerce and Transport (UN EDIFACT), are part of APEC's Collective Action Plan initiative on customs.

UN EDIFACT comprises a set of internationally agreed standards, directories and guidelines for the electronic interchange of structured data — particularly data related to trade in goods and services — between independent, computerised information systems.

The case studies from Australia, the Philippines, Singapore and Thailand report that these economies have all adopted the UN EDIFACT electronic messaging standards as the basis for their computerisation programs.

Cooperation

International cooperation is the cornerstone of APEC. APEC was formed to share ideas and experiences to improve the economic and social wellbeing of the Asia-Pacific region. In the Bogor Declaration, Leaders stated that:

... the objective to intensify cooperation among the community of Asia-Pacific economies will enable us to develop more effectively the human and natural resources of the Asia-Pacific region so as to attain sustainable growth and equitable development of APEC economies, while reducing economic disparities among them, and improving the economic and social well-being of our people.

All of APEC's achievements stem from international cooperation. APEC's framework for cooperative policy development has led to the development of, for example, principles on investment, trade facilitation and government procurement, as well as principles to guide competition and regulatory reform, and energy policies.

Cooperation – both domestic and international – has been an integral part of many of the reforms showcased in this study. Cooperation and networking have been important in economies when reform and administrative options have been assessed and developed. But some of the reforms themselves embrace cooperation as an essential element of the regulatory or administrative process. This reflects the fact that government-to-government cooperation is often essential in improving market access and reducing administrative impediments to trade and investment.

International cooperation in the design and implementation of reforms

Mexico used contacts with regulatory reform/administration simplification bodies in Australia, Canada, France, Italy, the United Kingdom and the United States to consider different reform strategies.

When **Singapore** was developing its TradeNet initiative, overseas study trips were organised to observe several existing EDI systems.

To computerise customs processes the **Philippine** Bureau of Customs contracted the United Nations Conference on Trade and Development (UNCTAD) to supply and implement the application software and to provide hardware and other services such as training, facilities management and technical support.

The operation of the **Australian** SANCRT system — the electronic transmission of data required for quarantine clearance — depends on international cooperation between counterpart agencies.

Many of the reforms have required cooperation among domestic agencies. Often the adoption of a business transaction-based approach (rather than an institutional approach) to reform highlighted the need for greater cooperation between agencies that have different responsibilities and functions but are part of the overall regulatory system dealt with by firms in a single trade or investment transaction.

Interagency cooperation

The **Singapore** case study provides an excellent example of interagency cooperation. The agencies that required traders to submit declarations — the Trade Development Board, the Customs and Excise Department and the 14 controlling agencies — cooperated to replace the manual declaration process with a more efficient electronic system.

Consultation

Consultation is a key feature of both the development and implementation of many of the reforms presented in the case studies. The aim of the public consultation was to make information available to the public, to receive input from a wide range of interests, to obtain more and better information from affected parties, and to be more responsive to the outcomes. This made information available for efficient decision making on regulatory reforms.

Consultation is not synonymous with consensus. It is a process that permits and promotes the two-way flow of ideas and information among all sectors of society and between them and government. Effective consultation is based on the principles of openness, transparency, integrity and mutual respect.

Consultation programs that are well designed and implemented can contribute to higher quality reforms, the identification of more effective alternatives, lower administration costs, better compliance, and faster regulatory responses to changing conditions. Just as importantly, consultation can improve the credibility and legitimacy of government action, win the support of groups involved in the decision-making process, and increase acceptance by those affected.

Economies have used many different avenues to facilitate consultation. These include departmental advisory bodies, secondment of personnel from the private sector, public discussion papers, multi-stakeholder negotiations, focus (consultative) groups, targeted briefings, workshops, questionnaires, public notice and comment, hearings and select committees. The avenue chosen depended on the issues being considered, the nature of the group being consulted, and the resources, including the time available for undertaking the consultation.

Consultation to achieve better reforms

The development of **Australia's** new technical regulatory arrangements for telecommunications involved strong consultative processes that allowed industry and users to participate through expert committees and working groups. Industry remains actively involved in developing and administering standards as the industry body, the Australian Communications Industry Forum, has assumed responsibility for some of Australia's telecommunications standards activities.

To integrate a wide range of views when developing government procurement reforms, the Government of **Chinese Taipei** held 85 symposiums and seminars with scholars, experts and consultants, 36 auditors meetings, eight joint sessions of the Legislative Yuan, and many negotiations among the political parties.

Consultation was also crucial to the development of the scheme for evaluating and certifying telecommunications equipment in **Hong Kong, China**. The Telecommunications Standards Advisory Committee was set up in 1994 to provide a formal channel for the industry and interested parties to advise the Telecommunications Authority.

Consultation is central to the operation of **Korea's** Office of the Investment Ombudsman. The OIO's role is to consult with foreign chambers of commerce to find out their views on foreign direct investment in Korea. These views can then be translated into suggestions for regulatory reform.

In **Mexico** the business sector was given access to draft regulations and a forum for presenting its ideas and suggestions related to the creation of the Federal Regulatory Improvement Commission.

Thailand's Customs Department drew on suggestions from the Thai Board of Trade and foreign chambers of commerce to identify application and support systems for its computerisation project.

Service culture

When administrative agencies operate in a service-orientated environment, trade-related transaction costs can be reduced because service providers become more responsive to customers' needs.

Developing a service culture in administrative agencies is an important objective of many of the case study reforms, and is reflected in the focus on consultation and the provision of choice in the delivery of accreditation and other services related to regulation.

Developing a service culture

The **Korean** case study emphasises a service culture. The function of the Office of the Investment Ombudsman is to assist foreign investors and to address grievances arising in interactions with government agencies.

All of the customs and quarantine reforms presented in this report promote a service culture by making customs procedures easier for traders. For example, **Singapore's** TradeNet initiative allows traders to complete trade declarations from their own computers. The Super Green Lane initiative in the **Philippines** also allows importers to lodge trade entries at their own workstations.

The **Mexican** case study provides another example of the implementation of a service culture. The amendments to the Federal Administrative Procedures Law established general rules regarding formalities, particularly information exchanges and resolutions.

- Authorities must not require multiple copies of an application form (a previously widespread practice) and must accept photocopies of supporting documents.
- Certified copies must be treated as original documents.
- If authorities do not inform people that required information is missing within the first third of the official response time for a specific formality, the application cannot be rejected on the grounds that it is incomplete.

Indecopi has also promoted a service culture in **Peru**. One example is the 'waiting in line meter' program, which enhanced the services provided by banks to their customers. In 1997 a series of publications were produced that indicated the time spent by a customer waiting in line for a bank teller. Peruvian banks responded by establishing different systems to give their customers faster service and a more comfortable wait.

Competitive markets

APEC economies have long recognised the strategic importance of developing competition principles to support the strengthening of markets to assure and sustain growth in the region. The rationale for promoting competition lies in the domestic benefits that result, and does not depend on its potential to increase international trade and investment.

Many of the inherent benefits of regulatory and administrative reforms stem from the encouragement of competitive markets. Competitive markets result in:

- a greater variety of goods and services available
- lower prices
- greater incentives for innovation
- greater productivity.

APEC's non-binding principles on enhancing competition and regulatory reform endorse the concepts of non-discrimination, comprehensiveness, transparency and accountability. These principles encourage members to review regulations that impede the ability of businesses to compete on the basis of efficiency and innovation, and address anticompetitive behaviour by implementing competition policy.

Competitive markets in the case studies

Many of the case studies show recognition of the competition dimension of policy development and reform that affects how efficiently markets function.

In **Mexico** the Federal Regulatory Improvement Commission was created to institutionalise a systematic process of regulatory reform to ensure that regulatory requirements are developed and reviewed on the basis of analysis, transparency and public consultation. The ultimate objectives are to ensure that regulations are clear and simple, to eliminate undue administrative discretion, to reduce compliance costs and legal uncertainty to a minimum, and to promote efficient markets in general.

In **Peru**, Indecopi was created to pursue one main goal — to facilitate market competition and promote welfare for all, by enforcing laws to introduce competition and to promote a market culture. Bringing together a range of functions often spread among a number of agencies served to provide a critical mass of institutional support for broad-ranging regulatory and public sector reforms aimed at removing impediments to competition and efficiency.

Chinese Taipei's new regime for government procurement, which is generally consistent with APEC's non-binding principles on government procurement, has established an open, transparent environment for competition in goods and services supplied to the Government.

One of the main conclusions from the opening conference of the APEC–OECD Co-Operative Initiative on Regulatory Reform, a joint effort of the APEC Competition Policy and Deregulation Group, and the OECD Programme on Regulatory Reform, was that all regulations should promote competition rather than restrain it in any way.

The APEC Economic Committee has reported that competitive markets are essential if the full benefits of trade liberalisation and facilitation are to be realised.

The potential gains from trade measures would not be fully realised, if the mobility of production factors (capital and labor) is limited. It is important to highlight the linkage between domestic competition policies/regulatory reforms and trade liberalisation and facilitation. (APEC 1999, p. iii)

APEC: What it is doing and what it can do

Realising the benefits of integration

Over the past decade APEC economies have translated their commitment to open trade into real and sustained reductions in tariffs. Between 1995 and 2000 APEC's average tariff rate declined by a third – from 12 per cent to 8 per cent (DFAT 2001).

As a result there has been a significant increase in the proportion of trade subject to very low tariff levels. In 2000, 69 per cent of goods imported by APEC economies were subject to tariffs of only 5 per cent or less. This is 10 percentage points above the figure for 1995.

However, as tariffs and other traditional trade barriers have come down, the costs imposed by other impediments that stand in the way of realising the benefits of economic integration have become more apparent. APEC economies are therefore examining regulatory and administrative practices in order to explore the scope for reducing unnecessary impediments to trade and investment without compromising regulatory objectives.

As highlighted in the case studies, economies are streamlining regulations and systems that deal directly with international trade and capital transactions. These reforms lead to reduced costs and increased efficiency with which policy and administrative objectives are met. At the same time, economies are reforming arrangements that affect domestic competition to ensure that domestic producers and consumers can make the adjustments needed to take advantage of the opportunities created by open trade and investment policies.

The APEC Economic Committee has estimated that trade facilitation – in which efficient regulation and administrative practices play a key role – can generate significant benefits for economies. The committee also reports that 'even though the estimated gains from full trade facilitation are smaller than the gains from total tariff elimination, trade facilitation has a large undeveloped potential for the improvement of economic efficiency and productivity' (APEC 1999, p. 22). Much of this gain will come from improving the efficiency of regulation and

administration. However, such improvements not only contribute to trade facilitation, but also create a more conducive environment for people and businesses to take advantage of the opportunities made available by liberalisation and facilitation.

The contribution of APEC cooperation

All of the initiatives presented in this report deal with issues that are the subject of cooperative work or economic and technical cooperation within APEC, largely as part of work on APEC's trade facilitation agenda. Much of this work continues to deal with simplifying procedural and administrative impediments to trade, such as customs and quarantine administration, and standards and technical regulations. However, it is being increasingly driven by the recognition that 'genuinely free and open trade and investment can only be achieved as part of a broader strategy to improve the functioning of all markets, domestic as well as international' (Elek 2000, p. 6).

In APEC's first year, Ministers called for work to review differences in customs practices and possibilities for harmonisation, including liberalising business visa requirements. At the 1993 APEC Leaders meeting in Blake Island, Seattle, Washington, APEC Ministers endorsed recommendations aimed at:

- improving access to tariff data
- reducing administrative barriers
- streamlining customs procedures
- harmonising different approaches to standards and conformance.

APEC's trade facilitation activities

Most of APEC's trade facilitation work is carried out under the Committee on Trade and Investment (CTI), which aims to create an APEC perspective on trade and investment issues and to pursue liberalisation and facilitation initiatives.

The CTI is responsible to APEC Senior Officials for coordinating and implementing the liberalisation and facilitation components of the Osaka Action Agenda. It oversees a number of subgroups that meet regularly to work on a range of facilitation issues. These groups include:

- Sub-Committee on Standards and Conformance
- Sub-Committee on Customs Procedures

- Market Access Group
- Group on Services
- Investment Experts Group
- Intellectual Property Rights Experts Group
- Government Procurement Experts Group
- Informal Experts Group on the Mobility of Business People
- Competition Policy/Deregulation Workshop
- Dispute Mediation Experts Group.

Measures to deal with most of the trade facilitation issues are included in APEC's collective action plans. Examples of APEC's initiatives in facilitation include the following.

- The 1997 *Blueprint for APEC Customs Modernisation: Working with Business for a Faster, Better Border* maps out APEC's strategic direction in the area of customs and enables business to visualise the future changes and the positive impacts of the strategy.
- APEC members have made a commitment to align domestic standards with relevant international standards in four priority sectors by 2005 (electrical and electronic appliances, food labelling, rubber gloves and condoms, and machinery). Member economies have also agreed to align all electrical safety and electromagnetic compatibility standards by 2008.
- The Mutual Recognition Arrangement (MRA) for Conformity Assessment of Telecommunications Equipment covers trade worth an estimated US\$50 billion a year. It is estimated that the MRA will save 5 per cent of the cost of new product placement, cut six months off the placement of new products in markets and reduce marketing costs for new products by up to 30 per cent.
- APEC economies have agreed to reduce or eliminate the requirement for trade-related paper documents by 2005 for developed and 2010 for developing economies. The APEC High-Level Symposium on E-Commerce and Paperless Trading held in Beijing in February 2001 agreed on a number of measures to promote e-commerce in APEC economies including developing a Paperless Trading Individual Action Plan for each APEC economy.
- To enhance business mobility the APEC Business Travel Card (ABTC) and use of multiple entry visas have been introduced. Currently, 11 APEC economies participate in the ABTC. The card is now being used by over 3000 business people from Australia; Brunei Darussalam; Chile; Hong Kong, China; Korea; Malaysia; New Zealand; Peru; the Philippines; Chinese Taipei; and Thailand.

- APEC has facilitated two projects on the recognition of professional qualifications – namely, engineering and architecture. The APEC Engineering Project, completed in 2000, identified a framework of best practices in accreditation, recognition and professional development. To date, the following member economies have been granted authorisation to operate APEC engineer registers: Australia; Canada; Hong Kong, China; Japan; Korea; Malaysia and New Zealand. The APEC Architect Project, which commenced in 2001, aims to facilitate the recognition of professional competence and the removal of regulatory barriers to trade in architectural services.
- Australia has proven innovative technology in the multilateral Advance Passenger Processing System, which allows Australia to obtain advance information on individuals seeking to come to Australia. The true benefits of advance passenger processing will be realised when a number of economies are able to participate in the scheme. Australia is engaged in a trial with Malaysia and is seeking partners to participate in a multilateral trial that will involve Australia and two or more economies. This will allow the participating economies to engage in a higher level of border protection and passenger facilitation than is currently available.
- The *Manual of Best Practice Principles for Independent Power Producers*, developed in close cooperation with the business community, promotes a more certain investment environment for energy suppliers by advocating transparency and consistency. It recommends non-binding policy principles and best practices on institutional and regulatory structures, tender/bid processes and evaluation criteria, power purchase arrangements, and financing.

Avenues of communication and cooperation

As the case studies in this report show, potential initiatives that impact on market access and the gains from open economic policies lie in much broader areas of regulatory and administrative reform. APEC is active in many of these areas, and many avenues of communication and cooperation exist in APEC to support networking, the development of principles, and the creation of functional agreements in key areas of regulatory and administrative reform.

- The annual *APEC Deregulation Report* details deregulation initiatives undertaken by member economies. The reports have been published on the Internet since 1997.

- APEC's Investment Experts Group produces the *APEC Investment Regime Guidebook*. This provides information on the latest investment regimes of the co-member economies. The group also holds APEC Investment Marts and conducts training in ways to facilitate investment and attract venture capital.
- The Competition Policy/Deregulation Workshop holds annual workshops that cover issues such as the interrelationship between competition policy and deregulation, the regulation of national monopolies, occupational regulation and regulatory reform.
- The Government Procurement Experts Group has completed a set of non-binding principles on government procurement and has developed practices illustrating how these principles could be implemented.
- The Dispute Mediation Experts Group focuses on government and private disputes, and on promoting transparency in laws and regulations as a means of avoiding disputes. It publishes and maintains on the APEC website *The Guide to Arbitration and Dispute Resolution in APEC Member Economies*.

Promoting and facilitating capacity building

A particular focus of APEC cooperation is information technology. APEC includes economies that are leaders in innovation and creativity in this field, as well as economies that are – or have the potential to be – strong adopters and adaptors of technology. This provides APEC with a particular capacity to support the use of technology by promoting and facilitating human and technological capacity-building partnerships among all the stakeholders, in particular governments, businesses and education and training sectors. APEC has developed an action agenda on the 'new economy' to pursue this goal. This work program includes the following.

- The results of the APEC 'e-commerce readiness assessments for APEC economies' are being used to explore collective and individual actions. This includes implementing the follow-on 'readiness evaluation action partnerships' that showcase practical actions to remove 'roadblocks' to participation in electronic trade.
- A network of skills development centres is being established across the Asia-Pacific region, in close collaboration with the private sector, to enhance understanding of training needs and to deliver programs that will support the business requirements of local industries.

Economic and technical cooperation

Economic and technical cooperation (ECOTECH) plays an important role in the pursuit of APEC's vision and in the economic development of member economies. ECOTECH builds on the potential within APEC for very effective sharing of information, experience and expertise to help all governments to design and implement more efficient policies. The diversity of APEC economies is a source of strength in developing cooperative activities and in mobilising support for capacity building – particularly with respect to the institutional and practical challenges of implementing jointly developed principles.

Because economies are now so interlinked, international cooperation and networking among regulators, policy makers and administrators are essential components of effective policy formulation and implementation. APEC ECOTECH activities provide valuable support for cooperation and networking, especially as a means of gathering and disseminating information on best practice policies, institutional structures and administrative arrangements. The ECOTECH framework places APEC in a unique position to help to identify technical assistance needs and to mobilise funding from bilateral and multilateral sources for high impact assistance.

The case studies discussed in this report suggest areas where ECOTECH activities could be useful. ECOTECH is already being used to support processes of customs modernisation in developing member economies. One example of this is a project delivering technical assistance on implementing the WTO's Valuation Agreement, through support for needs analyses, advice on organisational structures and legislation, and training.

Increasing automation of customs and other border-related processes expands the scope for cooperation in information exchange to reduce transaction costs and increase the effectiveness of regulation. But such cooperation requires comparable IT infrastructures in cooperating economies. APEC ECOTECH can play an important and practical role in encouraging development agencies to increase their involvement in priority areas such as this. An example of this is discussed in the SANCRT case study from Australia, where bilateral development assistance is being used to assist partner economies to develop the necessary IT infrastructure and capabilities to participate in the system.

The use of information and communications technology to increase efficiency and reduce costs of both public administration and business transactions that cross borders requires greater compatibility of telecommunications systems and regulation. The case studies provide examples of initiatives in the area of telecommunications equipment. However, as the potential for electronic commerce expands, the benefits of conformity increase. This is an area where APEC is already playing a significant role and where considerable opportunities for ECOTECH may lie.

Through the development of non-binding principles, APEC is also helping economies work their way through the challenges associated with 'behind the border' reforms in areas such as competition policy, domestic deregulation and government procurement. As the case studies show, economies implementing such reforms have benefited from networking within the APEC community. There is considerable scope for further cooperation in this area, including information exchange, capacity building and technical assistance.

Appendix

Summaries of case studies

The full case studies provided by the contributing 11 economies are available on APEC's website (<http://www.apecsec.org>). This appendix presents brief summaries that outline the backgrounds to the reforms, the reforms themselves and the resulting benefits.

Australia: SANCRT

Prior to 1994 the Australian Quarantine and Inspection Service (AQIS) carried out its export certification and control functions using a paper-based documentation system. In 1993 export control paper forms were rationalised, resulting in all exporters of prescribed goods (animal, agricultural and fish commodities) using the one form. Similarly, health certificates required by other economies were rationalised by bringing them into line with an internationally agreed and aligned format. This paved the way for developing an electronic system to speed up and simplify the export clearance and certification process.

In 1988 a cost-benefit analysis showed a clear benefit from the electronic processing of meat export documentation and, by inference, a similar benefit for other export commodities. In 1992 the system known as EXDOC was implemented and all meat exports since January 1994 have been processed electronically by EXDOC. An AQIS - meat industry steering committee and a related subgroup managed the development of the system. Regular reviews were also carried out by the departmental internal audit unit.

In 1992 AQIS in conjunction with counterpart agencies in the United States and New Zealand started work on developing an electronic equivalent of the certificates required for livestock, agricultural and fish commodity exports. They agreed to use the UN EDIFACT (United Nations Electronic Data Interchange for Administration, Commerce and Transport) message design standards. SANCRT (sanitary/phytosanitary certificate), as the 'document' was named, was cleared through the EDIFACT process in April 1994. The SANCRT format can be used as a health certificate, a certificate on the commodity's condition or a phytosanitary certificate.

SANCRT has reduced the transaction costs of trading goods of animal, plant and fish origin by simplifying the quarantine process and by greatly reducing the time required to produce export certification. Because the SANCRT message is transmitted directly between government agencies the possibility of tampering with or falsifying the data is considerably reduced.

A section within AQIS is responsible for promoting and maintaining SANCRT. This involves encouraging trading partners to implement SANCRT, including offers of training in Australia for personnel from agencies intending to use SANCRT.

Australia: Technical regulation of telecommunications equipment

Before the technical regulation in the telecommunications sector was reformed, Australia operated a permit system under which a regulator had to approve a product before it could be placed on the market. Changes to this permit system were motivated by the recognition that failure to develop effective technical regulation could:

- hold back innovation
- inhibit integration with the world economy
- fracture the market
- increase costs
- confuse consumers
- limit the range of products available on the market
- inhibit competition in the provision of telecommunications services.

The present system has moved away from pre-market regulation by government and has given greater responsibility to suppliers – reinforced by a more appropriate level of post-market regulatory action by government. The regulator, the Australian Communications Authority, continues to set regulatory requirements. However, industry is now much more involved in developing and managing compliance. The Australian Communications Industry Forum has assumed responsibility for some activities related to Australia's telecommunications standards. The primary role of the forum is to develop and administer industry technical and operating arrangements that promote the interests of end users, efficiency and international competitiveness.

The compliance structure used by the Australian Communications Authority is designed to minimise the cost of demonstrating compliance and to facilitate market access. No product registration or compliance charges are paid, and suppliers are not required to submit test reports or products to the regulator. The regulator requires a declaration of conformity with standards to be made by the suppliers, who are responsible for labelling their products to show conformity.

The reform has resulted in new products entering the market faster than under the former approvals-based system. This means consumers have a greater choice of products at competitive prices. The new system provides greater transparency and greater accountability, which encourages innovation and facilitates exports by manufacturers that meet international standards.

Hong Kong, China: Telecommunications equipment regulation

Before 1992, all telecommunications customer premises equipment (CPE) to be connected to the public fixed telecommunications network required permission-to-connect certification from the network operator. The network operator was also the only agency allowed to carry out CPE testing. Before 1996, the approval tests for radio equipment were carried out mainly by the Office of the Telecommunications Authority.

To adapt to competition and technological advancement in the industry and to follow the worldwide trend to remove trade barriers in the telecommunications market, the Hong Kong Telecommunications Authority (TA) decided to reform the regulatory framework, particularly the area of conformity assessment. When setting up the new scheme it followed the principles of:

- removing trade barriers
- minimising the cost of conformity assessment
- reducing network connection problems
- protecting consumer interests.

In 1994 the Telecommunications Standards Advisory Committee was established to provide a formal channel for industry and interested parties to advise the TA on standards and certification policies. Since 1996 industry has become more involved in setting technical standards for telecommunications and radio equipment. The TA, in consultation with the Telecommunications Standards

Advisory Committee, sets technical standards. Whenever possible, Hong Kong, China, aligns its standards with international standards or other open and widely accepted standards.

The Hong Kong Telecommunications Equipment Evaluation and Certification (HKTEC) Scheme was introduced in 1998. The scheme divides certification into voluntary certification and compulsory certification. The scheme also requires suppliers to label equipment that has received certification. Under the HKTEC scheme the TA is able to appoint local and overseas bodies as registered testing agencies to perform equipment evaluation against Hong Kong, China, standards.

The new framework for technical regulations provides a more competitive, consistent and transparent environment. The HKTEC scheme provides suppliers with a greater choice when seeking evaluation services from other recognised testing agencies. Bringing CPE and radio equipment under a common evaluation and certification procedure improves transparency and consistency. Transaction costs of international trade are also greatly reduced because international standards are recognised, and test results and certification produced by overseas agencies are accepted.

Indonesia: Customs procedures

Before 1995 the Indonesian customs system operated under a legal framework based on customs laws formulated during the Dutch colonial period dating back to 1873. Many of the procedures under the colonial law impeded trade. For example, the validation of import and export declarations relied heavily on physical examinations, as self-assessment methods for declaring goods had not been fully implemented. Also, customs procedures were conducted manually, which meant slow turnarounds and high transaction costs for traders.

The 1995 Customs Law was designed to remove these impediments to trade by introducing faster and lower cost customs procedures. The new system involves self-assessment backed by post-clearance audit and verification procedures. The operation of a red and green lane system has reduced the need for customs officers to physically examine goods.

The reforms also included implementing an electronic data interchange system. This enables customs declarations to be submitted, processed and examined in significantly less time than under the old system, and allows for processing

before the arrival of goods in port. Furthermore the 1995 law has an increased focus on professionalism and human resource capacity within the customs service.

Korea: Office of the Investment Ombudsman

In 1994 the Korean Government began to deregulate government administration to contribute to economic growth and to stimulate further growth in the market system. However, during this process the Korean Government became aware that merely simplifying investment procedures and providing incentives were not enough to improve foreign investment. After-care service was also needed to ensure continued foreign direct investment in Korea. In response the Korean Government established the Office of the Investment Ombudsman (OIO) in October 1999 to help ensure that Korea provides an investment-friendly environment. The OIO is unique because it has been specifically set up to resolve any grievances foreign investors may have with government procedures.

The OIO's status as a quasi-government institution gives it a degree of independence from government bureaucracy. Its objectives are to:

- address and resolve the difficulties experienced by foreign investment companies in Korea; and
- help upgrade Korea's administrative system to conform to international standards.

The OIO has a staff of 22 private sector specialists from various fields as stipulated in the Foreign Investment Promotion Act. This allows the Ombudsman to operate free from government influence.

The OIO provides a simple transparent system for foreign investors to convey their concerns to government. And by providing suggestions to government ministries, the OIO has played an indispensable role in helping to push to have inefficient laws and regulations revised in the direction of deregulation and market liberalisation. In the past two years the OIO has resolved around 826 investment grievance cases. During the year 2000 the OIO successfully handled 17 cases involving investment worth 1864 billion won (US\$1670 million). From January to June 2001 the OIO successfully handled 13 cases involving investment worth 646 billion won (US\$500 million). The fact that reinvestment from foreign investors comprised about 60 per cent of total foreign direct investment in 2000 reflects the enormous importance of after-care service to foreign investors.

Mexico: Federal Administrative Procedures Law

Before the reform to Mexico's Federal Administrative Procedures Law, regulatory reform was coordinated by the Economic Deregulation Unit (UDE) within the Ministry of Commerce (now the Ministry of Economy). Reform progressed on an ad hoc basis until 1995, when an executive order created a more systematic regulatory reform process. While the UDE achieved significant results throughout the 1990s, it became clear at the end of the 1994–2000 administration that the regulatory reform program needed to be isolated from political cycles, cover a wider range of regulatory activities and be institutionally strengthened.

In April 2000 Mexico's Congress approved amendments to the Federal Administrative Procedures Law in order to consolidate and broaden the existing regulatory improvement program, and to ensure that regulatory requirements would be developed and reviewed on the basis of analysis, transparency and public consultation. The amendments created the Federal Regulatory Improvement Commission (COFEMER) and the Regulatory Improvement Commission (a high-level consultative body comprised of business, labour, academic, rural and government representatives).

The amendments mean that all regulatory proposals must be sent to COFEMER at least 30 working days before they are signed or submitted to the Office of the President. COFEMER reviews the proposals with the Regulatory Improvement Commission to ensure that regulations are clear and simple, to eliminate undue administrative discretion, to reduce compliance costs and legal uncertainty to a minimum, and to promote more efficient markets in general. Any interested party can participate in these reviews because the commission has the legal obligation to make the proposed texts and their regulatory impact statements public.

COFEMER can also undertake independent reviews of existing rules in different economic sectors or regulatory areas, and propose specific changes. By submitting their opinions, complaints or suggestions to COFEMER, participants in the process can spur the review and reform of regulations that are unnecessarily burdensome, restrictive or difficult to comply with. Therefore, the review process ensures that regulatory reform continues to produce significant gains in efficiency, consumer welfare and innovation. The reform also strengthens democratic values by contributing to a culture of transparency in which administrative complexity and discretion are reduced.

Peru: Indecopi

During the 1980s Peru experienced the worst economic crisis of the nation's history. Hyperinflation, exchange controls, price controls and black markets prevailed. During the early 1990s inflation was brought under control, a floating exchange rate system was introduced, import quotas and licensing were eliminated, and greater reliance was placed on markets. However, the rules of the 'market game' were not clear to entrepreneurs and consumers because for almost 10 years they had been operating in a distorted environment.

To enforce the newly created rules and to promote a market culture a new public institution, Indecopi (the Peruvian National Institute for the Defence of Competition and Protection of Intellectual Property), was created and brought into operation in 1993. It was designed as an autonomous agency, charged with being both arbiter and promoter of Peru's free market economy, focusing on two areas: market competition and intellectual property. The functional body of Indecopi, the Market Access Commission, focuses on measures that restrict or limit the access of firms to domestic markets. The responsibilities assigned to Indecopi were previously tasked to other government institutions (for example, intellectual property, and standards and conformance) or did not exist at all (for example, antitrust, antidumping and countervailing duties).

Indecopi is decentralising and privatising its activities by establishing a growing national network of offices managed by private partners, to which Indecopi delegates its official functions. This allows Indecopi to have a much greater influence throughout the economy than would otherwise be possible due to budget constraints. This system gives the private sector a central role in market promotion – consistent with the subsidiary role of the state.

Indecopi has reduced transaction costs and increased efficiency in a number of sectors by:

- reforming the administration of justice
- creating value through formalised innovation
- facilitating increased business competitiveness
- empowering consumers
- modernising the state.

Philippines: The Super Green Lane

Recognising the inefficiency of the paper-based manual processes and the need to stay attuned to international developments the Philippine Bureau of Customs recently installed the Automated Customs Operations System (ACOS) using the Automated System for Customs Data Management (ASYCUDA ++), developed by UNCTAD. Once the system was in place the Bureau of Customs implemented a risk assessment program that involved developing a Selectivity System. This system subjects all cargoes to computerised scrutiny to determine the extent of examinations required based on their risk levels. At present 40 per cent of shipments are accorded Green Lane treatment, 40 per cent Red Lane processing and the remaining 20 per cent Yellow Lane processing.

To improve efficiency further the Bureau of Customs introduced the Super Green Lane (SGL), a special customs clearance facility that allows advance processing and clearance of imports. Effectively, SGL shipments are cleared before they arrive at Philippine ports. At present the SGL is available at three major ports in Metro Manila and to 1000 importers. With the use of electronic data interchange, qualified importers may lodge import entries from their own offices – 24 hours a day and seven days a week – using a computer connected to the Bureau of Customs' computer system.

The facility has benefited users through greater efficiency in customs processing – fast release of imports, speedier delivery of goods (particularly raw materials) and lower costs. Those shipments that have undergone advance processing and clearance may be released from customs in only about three hours (compared with 6–8 days in the past) after their arrival at Philippine ports. Thus, the SGL is referred to as the 'ship to truck' system. More importantly, importers are spared lost time and wasted effort queuing at customs offices.

Singapore: The TradeNet system

In Singapore, traders are required to submit trade declarations for all imports and exports to relevant governmental agencies. These agencies include the Trade Development Board, the Customs and Excise Department and controlling agencies if the goods are subject to control. Before 1989, traders had to prepare multiple copies of the import and export declaration forms and physically deliver them to the government agencies for processing. This process was time consuming and costly to traders. Government agencies were also overwhelmed

by the paperwork. The manual processing of the voluminous paper documents was labour intensive and time consuming. As Singapore's trade grew, the government agencies had to constantly recruit more staff and train processing staff to take care of the growing volume of trade declarations. This approach was not sustainable in the long term.

In 1986 work began on developing an EDI system for traders to submit trade declarations electronically. Overseas study trips were organised to observe several existing EDI systems and in 1989 TradeNet was implemented. With TradeNet, users prepare a single permit application for submission to the Trade Development Board, the Customs and Excise Department and the relevant controlling agency. Traders can file the permit applications from their own offices. The applications are routed electronically to the relevant government agencies for processing and approval. Upon approval, the permits are routed back to the traders, who are able to print hard copies in their offices. Payments of goods and services tax, customs duties and other fees are automatically transferred from the traders' bank accounts.

TradeNet has revolutionised the trade documentation process in Singapore. It has been identified as one of the strategic national information systems that have enhanced the competitiveness of the Singapore economy. Today, almost all permit applications for imports and exports are processed electronically through TradeNet. More than half a million permit applications are processed through TradeNet every month.

Chinese Taipei: Government procurement

Before Chinese Taipei introduced the Government Procurement Law in 1998, the Ministry of Audit coordinated Chinese Taipei's regulations on government procurement. However, four laws regulated government procurement and these laws drew no distinction between administrative authority and procurement auditing. This compromised the ability of the regime to appear impartial and transparent.

The introduction of the Government Procurement Law was preceded by an extensive process of consultation. The Government held 85 symposiums and seminars with scholars, experts and consultants, 36 auditors meetings, eight joint sessions of the Legislative Yuan, and many negotiations among the political parties.

With the introduction of the law, Chinese Taipei put in the place a legal framework governing the operation of the overall procurement system. The law also empowers the Public Construction Commission to set government procurement policies, administer related matters and draw up the regulations related to the law. The Ministry of Audit, independent from the administrative system, has the authority to examine and investigate government procurement at any time. Procurement officers must be accountable for their decisions. To ensure this, auditors are involved in the tendering procedure of any procurement with a value over NT\$50 million (US\$1.4 million).

Chinese Taipei has also established a database of information related to government procurement called the Government Procurement Information System, which collects and makes publicly available information on specific tenders, forthcoming tender opportunities, outcomes of tenders, and bid challenge procedures.

On completion of the process of accession to the World Trade Organization, Chinese Taipei will become a signatory to the Government Procurement Agreement and will further open the government procurement market.

The establishment of the law-based system has made the procurement rules more comprehensive and has helped build an open, transparent environment for competition. The resulting savings for government are expected to be around 10 per cent of the total value of government procurement.

Thailand: EDI for customs clearance

To improve the efficiency of customs processing Thailand's Custom Department has been computerising customs procedures. This has significantly reduced the time for processing from the 1-3 days that has prevailed under the manual system.

The main objectives of implementing an EDI system were to increase efficiency and the quality of services provided, to reduce management and administration costs and to complement the decision support system.

The Customs Department selected UN EDIFACT (the United Nations Electronic Data Interchange for Administration, Commerce and Transport) as the standard format for EDI documents. Currently more than 140 member economies of the World Customs Organization aim to use this EDI standard for international

trade. To promote this standard in Thailand, the Federation of Thai Electronic Data Interchange has appointed a Customs Working Group made up of representatives from several organisations dealing with international trade.

The EDI system allows for customs entry information to be transferred via an online system. Traders can link directly to the system or use a licensed customs broker. Traders need to meet custom officers only for document verification. All other information can be processed through the EDI system.

The EDI system brings substantial savings and benefits to traders and the Thai Customs Department. The customs procedure is much faster and simpler, making transactions more compatible with 'just in time' inventory practices. The EDI system also reduces the number of data entry mistakes because all information is prepared by traders, and the system checks accuracy.

United States: Provision of trade-related data on the Internet

The US Government has been increasing the use of the Internet to make trade-related information available to the public. Three important examples are the DataWeb database, the Electronic Document Imaging System (EDIS) and the Production, Supply and Distribution Database (PSD). DataWeb provides access to tariff, trade regulation and trade flow data collected by the US International Trade Commission (USITC), EDIS makes available documents filed in respect of USITC hearings, and PSD provides access to US Department of Agriculture (USDA) commodity statistics and forecasts.

DataWeb was developed to replace a batch processing system, while EDIS replaced a manual paper-based filing and retrieval system with a self-service electronic document research and retrieval system. PSD was developed to meet a need to provide timely answers to an increasing number of questions about USDA statistics and to produce quick turnaround analyses for USDA policy makers on current issues.

The databases have increased the availability, timeliness and use of publicly accessible information on trade, trade regulations and hearings, and commodity forecasts. This information helps the trade community to monitor and evaluate market opportunities and makes the policy-making processes transparent. The

electronic databases have dramatically reduced the transaction costs of obtaining information.

The databases also fulfil a goal of the Government Paperwork Elimination Act to disseminate data by self-service means. The conversion of paper documents into electronic databases is expected to reduce storage and handling costs. The Office of the Secretary of the US International Trade Commission could reduce and eventually eliminate expensive on-site and off-site storage of paper files. Several offices also benefit significantly from the electronic search and retrieval aspects of the imaging system.

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