



Asia-Pacific
Economic Cooperation



APEC Trade Facilitation



What is Trade Facilitation and How Does it Benefit Business?

Trade Facilitation means making markets more efficient. It means reducing costs to business operating in and especially between markets, and it means regulators and government officials working toward these shared goals.

As world trade has grown, tariff rates have fallen and technology has advanced, the relative importance of trade facilitation has increased, as have the potential benefits from meaningful trade facilitation measures.

A 2002 World Bank Study, *The Economic Impact of Trade Facilitation Measures: A Development Perspective in the Asia Pacific*, looked at trade facilitation measures such as port logistics, standards harmonization, administrative transparency and professionalism, and e-business in the

Asia-Pacific region. It concluded that raising performance across the region to halfway up to the level of the APEC average could result in a 10 percent increase in intra-APEC exports, worth roughly US\$280 billion.

Recognizing the potential benefits from trade facilitation, in 2001 in Shanghai, APEC Leaders set the goal of reducing business transaction costs by an average of 5 percent by 2006. The projected benefits from this reduction in the costs of doing business are estimated to be worth US\$154 billion in GDP in APEC Member Economies. APEC's ongoing work on trade facilitation provides direct benefits to business through efficiency gains, increased transparency and greater consistency of regulations throughout the region.



What is Asia-Pacific Economic Cooperation?

Asia-Pacific Economic Cooperation, or APEC, is the premier forum in the Asia-Pacific region for facilitating trade and investment and promoting economic cooperation and growth. APEC was established in 1989 to further enhance economic growth and prosperity for the region and to strengthen the Asia-Pacific community.

APEC has 21 Members - referred to as "Member Economies" - which account for more than a third of the world's population (2.6 billion people), approximately 60 percent of world GDP (US\$20.7 trillion) and about 47 percent of world trade (US\$7 trillion). It also represents the most economically dynamic region in the world having generated

nearly 70 percent of global economic growth in its first 10 years.

Since its inception, APEC has worked to reduce tariffs and other trade barriers across the Asia-Pacific region, creating more efficient domestic economies and dramatically increasing exports. Growth in regional trade and investment has tripled since APEC was first established. Average tariffs across APEC have declined from 16.9 percent in 1989 to 5.5 percent in 2004. Real GDP for APEC Economies increased by 46 percent in the period from 1989 to 2003 compared to non-APEC Economies which only increased by 36 percent.

APEC's 21 Member Economies are Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Republic of the Philippines; The Russian Federation; Singapore; Chinese Taipei; Thailand; United States of America; Viet Nam.

How does APEC Facilitate Trade?



Since its creation in 1989, APEC has been working to facilitate trade. APEC has been at the forefront of international efforts to facilitate trade by setting concrete targets and providing capacity building assistance to developing economies. APEC's latest targets on trade facilitation were set in 2001 when APEC Leaders agreed to reduce average business transaction costs by 5 percent by 2006.

APEC developed Trade Facilitation Principles and a Trade Facilitation Action Plan (TFAP); a framework for guiding its Member Economies towards the 5 percent target. This plan calls for concrete measures that will reduce transaction costs and simplify administrative and procedural requirements for business over a specified period of time. And it also includes provisions for capacity building assistance for developing economies.

Much of APEC's discussion on trade facilitation takes place in expert working groups and fora. Specific areas of work include: customs procedures, standards and conformance, business mobility, electronic commerce, improving transparency, fighting corruption, and building the institutional, legal, policy and human capacity to achieve these goals across the APEC region.

Actual implementation of facilitation measures and programs, which are visible, practical and beneficial to business, rests with Member Economies. Central to all of APEC's work is that Members implement outcomes on a

voluntary basis and that technical expertise and resources are shared between Members. A 2004 quantitative assessment of Economies' progress towards implementation of the Trade Facilitation Action Plan, based on their own reporting, found that almost 60 percent of planned actions had been implemented, and another 25 percent were in progress.

Also noteworthy is APEC's contribution to facilitating trade at the global level, particularly through the World Trade Organization (WTO). As APEC develops practical measures, carries out capacity building, and builds experience and confidence in this work, Members have been able to bring many useful ideas to the WTO, where negotiations on binding commitments on trade facilitation are underway.

APEC is working on developing better tools to assess and advance implementation; greater engagement with the private sector to keep efforts focused on real business needs; and capacity building assistance to ensure implementation across the diverse range of APEC Economies.

Links to APEC's Shanghai Accord, Trade Facilitation Principles, Trade Facilitation Action Plan, and Trade Facilitation Roadmap are all available on the CTI page of the APEC website: http://www.apec.org/apec/apec_groups/committees/committee_on_trade.html

APEC's Trade Facilitation Principles

A Comprehensive Framework

Principles

Business Impact

Transparency, Communications, Consultations, and Cooperation

- Traders become an integral part of developing streamlined procedures and rules;
- Reduces corruption due to enhanced transparency;
- Increases trade-related security since trade would be based on a model of trust and partnership rather than a model of enforced compliance.

Simplification, Practicability, and Efficiency

- A transparent and consultative process of developing rules and procedures would result in a simplified, practical, and efficient system that works in the region;
- Simplified transaction requirements ensure sustainability since these would reduce compliance costs for traders;
- Simplified and practical rules are especially important in reducing compliance costs for Small and Medium Enterprises (SMEs) which have higher barriers to entry.

Non-discrimination, Consistency, Predictability, and Due Process

- Non-discriminatory rules allow businesses to maximize profits since investment and export decisions are based on market principles rather than administrative fiat;
- Consistency and Predictability have "reputation" impacts for domestic business that benefit from greater foreign investment and enhanced trading opportunities;
- Due Process ensures stakeholders have access to adequate legal appeal procedures — adding greater certainty to trade transactions.

Harmonization, Standardization, and Recognition

- Reduces product development, marketing, inventory and placement costs of new products since standards across economies are harmonized and recognized;
- For products with short shelf lives like IT and food products; harmonization, standardization, and recognition significantly reduce time delays related to multiple product tests in different markets;
- Reduces burden on regulatory authorities because need for re-testing and re-certification is reduced.

Modernization and the Use of New Technology

- Shorter clearance time due to paperless trading reduces cost of shipment, time-to-market, and inventory costs;
- Simplified electronic documentation requirements reduces staff time and agents' fees resulting in increased business efficiency;
- Ensures greater security for public due to use of high-tech security features like e-signatures, Optical Vehicle Recognition Systems, and vehicle scanning systems.

Customs Procedures

Challenge

Just-in-time delivery and IT-based processes have accelerated the pace of doing business. But inefficient customs processes and port handling can cause bottlenecks in even the most efficient supply chain. Port handling and customs clearance times represent real costs, not only in port charges but in longer and less predictable delivery schedules. In the case of perishable goods such delays can directly affect the quality and value of the shipped goods.

Working to improve the movement of goods and services throughout the region, APEC's Sub-Committee on Customs Procedures (SCCP) provides a forum for Members in which to share best practices and adopt collective action plans. The challenge APEC faced was how to improve systems and adopt new technologies to reduce costs to business and simultaneously improve trade system integrity and security.

Solution

As one example of the measures and enhancements customs services within APEC are taking, the Korea Customs Service (KCS) recently conducted a comprehensive Time Release Survey. The survey identified processing bottlenecks, which KCS quickly took steps to address. Building a 24-hour unloading support system in Busan, KCS reduced the mandatory unloading period from five to three days, shortened the bonded storage period from five to three days, and now operates a 24-hour clearance system at



Incheon International Airport. KCS also introduced a monthly post-payment system, and took other measures to speed up processing. Modeled after the Korea Customs Service's successful Time Release Survey, capacity building workshops in this area have been undertaken in other APEC Member Economies.

Value to Business

As a result of these reforms, KCS reduced overall port processing time from 9.6 days to 5.3 days, resulting in an estimated economic benefit of US\$1.5 billion. In addition to lower port costs for shippers and higher processing capacity for the port, the savings will allow tighter delivery schedules for manufacturers, and significant added value for traders of perishable goods. Such savings are but one small contribution to APEC's ambitious Shanghai Accord goal of reducing transaction costs across the region by 5 percent by 2006.

APEC Resources for Business

APEC has a variety of resources that provide useful trade facilitation information to the business community.

Resources for everyday use are downloadable from the Committee on Trade and Investment's publication webpage.

APEC Investment Regime Guidebook, 5th Edition

The guide provides information on:

- the regulatory framework and investment facilitation;
- investment protection;
- investment promotion and incentives;
- a summary of international investment agreements or codes to which the APEC Member is a party; and
- an assessment of recent trends in foreign investment.

APEC Customs Blueprint

The Blueprint, an annual publication, promotes transparency and informs the private sector about the Sub-Committee on Customs Procedures and how it can benefit from these activities.

APEC Customs and Trade Facilitation Handbook: A Guide for the APEC Trading Community

This handbook contains information about the various APEC Economies' customs agencies, laws and regulations, and procedures to procuring advance customs rulings. It also provides a checklist of various provisions that businesses have at their disposal when planning to trade with a particular APEC Economy.

You can find these resources at http://www.apec.org/apec/publications/all_publications/committee_on_trade.html

Paperless Trading



Challenge

Across the Asia-Pacific region, information technology is a critical component for reducing costs at the borders. While many APEC Economies enjoy a high level of technology integration across both the public and private sectors, others are restrained by economic and social development and have only begun to introduce legislation and regulation that would integrate electronic data transfer to promote trade liberalization. APEC Economies have voluntarily embraced the digital marketplace by agreeing to operate within a paperless trading system so that goods and services can cross borders more efficiently and transparently.

Solution

Most Economies within APEC have developed a plan and created a regulatory and legislative environment to promote paperless trading. In many Economies, a comprehensive system has been put in place to accept electronic signatures, electronic trading, and privacy protection.

A majority of APEC Economies have developed paperless trading systems to accommodate customs clearance, government administration, transportation, and payments. By transmitting electronic documents, business has consolidated its resources to capitalize on the most important link in the supply chain. In most APEC Economies, more than

50 percent of trade documents are electronically transmitted while some Economies electronically process as much as 85 percent of their documents.

Value to Business

As a result of the implementation of paperless trading systems across the Asia-Pacific, APEC Member Economies have greatly reduced costs. For example, in Japan, almost 80 percent of the private sector electronically transfers data. In Singapore, Customs electronically processes 10 million customs declaration bills annually saving US\$600 million on paper administration. This savings represents a 40 - 60 percent reduction in costs since 1989. In 2003 the United States put in place the Automated Customs Environment (ACE). ACE allows for processing of electronically-filed data which will reduce transaction costs by US\$22.2 billion over 20 years and save the agency US\$4.4 billion during the same period.

A number of APEC Economies offer a single window system where all trade-related documents can be submitted to a unique government authority. So as APEC's Member Economies adopt an efficient paperless trading system, businesses in the Asia-Pacific region will benefit from quicker processing, increased cost savings, and better customer service.

Other useful information:

An extensive APEC Tariff Database

<http://www.apectariff.org>

Information about the Telecommunications MRA

<http://www.mrams.com>

Information about energy standards

www.apec-esis.org

Dispute Resolution Guidebook

www.arbitration.co.nz

APEC Travel Handbook

www.businessmobility.org

APEC also has publications and studies on trade facilitation which are downloadable from the APEC website at <http://www.apec.org>:

- APEC Privacy Framework, 2005
- Trade Facilitation and Trade Liberalization: From Shanghai to Bogor, 2004

- APEC's Trade Facilitation Action Plan: A Mid-term Assessment, 2004
- The Study on the Assessment of the Effectiveness of Implementing APEC Trade Facilitation Actions, 2004
- Study on the Mutually Supportive Advancement of APEC's Trade Facilitation and Secure Trade Goals Post September 11, 2004
- Towards the Shanghai Goal - Implementing the APEC Trade Facilitation Action Plan, 2002
- Benefits of Trade and Investment Liberalization and Facilitation, 2002
- APEC Economies Realizing the Benefits of Trade Facilitation, 2002
- Trade Facilitation: A Development Perspective in the Asia-Pacific region, October 2002
- APEC Economies: Breaking Down the Barriers - Full Case Studies, 2001
- APEC Economies: Breaking Down the Barriers, 2001
- Cutting Through the Red Tape: New Directions for APEC Trade Facilitation, 2001
- New Directions for APEC's Trade Facilitation Agenda 1999, 2001
- Paperless Trading - Benefits to APEC, 2001

Alignment with International Standards

Challenge

Standardization is a precursor to modern industry and, along with effective regulation, is vital to any economy. The independent development of diverse standards and regulations, however, increasingly represents barriers and costs to business. And the costs of having to conform to numerous standards regimes are disproportionately greater for smaller businesses. However, national standards are typically closely linked to local conditions, and therefore international harmonization of standards may not be feasible.

The challenge therefore is to ensure that different standards do not act as trade barriers, create unnecessary costs, or inhibit innovation, and to the extent possible to align standards and learn from international best practices.

Solution

Recognizing the benefit of standards alignment, APEC has pursued standards and conformance work along several general tracks. Members are encouraged to align their respective standards regimes with international standards, including the use of best practices, especially in the development of new standards. In addition, APEC has encouraged development of effective systems for ensuring conformance with standards, giving both industry and consumers greater confidence in both the goods and services they purchase and in the marketplace itself. Further, Member Economies are encouraged to increase their participation in international standards-setting bodies and their use of international standards. Finally, APEC Members have developed mutual recognition

arrangements (MRAs)* and other practical tools to help mitigate compliance costs for business in several key sectors.

Specifically, APEC has developed MRAs in sectors such as: telecommunications equipment, electrical and electronic equipment, food, and toys. For example, APEC's Conformity Assessment of Telecommunications Equipment MRA is a good illustration as it streamlines procedures for a wide range of telecommunications and telecommunications-related equipment. The arrangement resulted in savings of at least 15 percent of the cost to testing and certifying equipment. By aligning telecom standards, products can be brought to market by up to six months earlier than before the MRA was implemented.

In a 2005 review of APEC Economies' standards efforts, 11 of the 15 reporting Economies had achieved 100 percent of their standards alignment goals, while the remaining four met more than 90 percent of their goals.

Value to Business

Alignment with international standards allows business to invest and produce to common, consistent standards across the region, resulting in gains for business, consumers, and the economy as a whole. Greater alignment of national standards regimes reduces the barriers to trade that result from differences in domestic standards and regulatory systems. Further, internationally aligned standards facilitate innovation and new technologies, as well as allowing consumers better prices and greater choice.



Mutual Recognition Agreements (MRA) exist to overcome non-discriminatory regulatory barriers such as licensing and qualification requirements and technical standards by recognizing the acceptance of the equivalence, compatibility or acceptability of the partner economy's regulatory system.

Business Mobility

Challenge

Across the Asia-Pacific region, economies are growing, trade and investment flows are increasing, markets are more integrated, and there is an ever-expanding need for face-to-face business interaction. And yet, in this age of the internet and accelerated business processes, business travelers still face many of the same obstacles they have for decades: the uncertainty, time and cost of applying for visas, especially to resolve an unexpected problem or close a big deal; the inconvenience of waiting in long immigration lines; and concerns about travel system integrity and security. These are challenges that APEC is addressing through the work of its Informal Experts' Group on Business Mobility.

Solution

APEC's Business Mobility Group developed a two-pronged approach. The APEC Business Travel Card is a practical tool making travel easier for frequent-traveling, senior business people. The Travel Card scheme allows qualified business people, through a single application process in their home economy, to obtain multiple short-term entry to all participating economies via a simple pre-clearance system.

Cardholders save time and effort by no longer needing to apply for individual visas or entry permits, and benefit from fast-tracked entry and exit through special APEC lanes at major international airports in participating economies. Currently 17 of APEC's 21 Member Economies are participating or have announced their plans to participate in the near future, and thousands of business people are already carrying the Card when they travel in the region. Other Economies have put in place streamlined application procedures for granting long-term, multiple-entry visas to business people from APEC Member Economies.

Value to Business

One of APEC's most tangible products, and the only one you can put in your pocket, the APEC Business Travel Card means real savings in time, cost and convenience. By responding to the needs of the business traveler, efficient visa processing and the APEC Business Travel Card enable business people to move more rapidly within the APEC region.



How is Business Involved in APEC's Efforts to Facilitate Trade?

APEC actively seeks business input into its trade facilitation work, in particular through APEC's own Business Advisory Council. For example, members of the APEC Business Advisory Council (ABAC) and APEC's Committee on Trade and Investment (CTI) took part in the APEC Expanded Dialogue on Trade Facilitation (EDTF) in October 2004.

The Dialogue brought together government officials, business people, academics, and representatives of international organizations with a view to elicit feedback from the private sector in order to get a better understanding of the progress that has been made on the Trade Facilitation Action Plan. Business participants were able to point out that despite the progress that has been made in customs, business mobility, standards and conformance, and e-commerce additional actions still need to be implemented.

Participants agreed to recommend that APEC Economies broaden and better monitor the implementation of the Trade Facilitation Action

Plan; build a closer relationship with business on trade facilitation issues; and work together to advance trade facilitation negotiations in the WTO.

A similar dialogue will be organized in 2006. This will allow APEC to communicate the outcomes of its five-year implementation of TFAP and call for the inputs from the private sector to help define the next steps for trade facilitation in the region. The dialogue will also provide an opportunity for all participants to critically examine Member Economies' progress of implementation and to conduct a more in-depth analysis of the effectiveness of the actions and measures taken so far.

For more information about the Committee on Trade and Investment, please visit www.apec.org/apec/apec_groups/committees/committee_on_trade.html or the APEC Business Advisory Council, visit www.abaconline.org.

How do I Stay Informed About APEC's Trade Facilitation Progress?

Information about APEC activities and discussions is available via the APEC website at www.apec.org. The website features media releases and many APEC documents, including reports by APEC fora working on trade facilitation. Of particular note are the annual reports to the Committee on Trade and Investment, and documents produced for

APEC's periodic Trade Facilitation Dialogues. Additionally, the APEC E-Newsletter provides selected highlights of what is going on.

For information about APEC Member Economies' own trade facilitation activities, under their respective Individual Action Plans, please visit <http://www.apec-iap.org/>

How Can I Keep Up-to-date with APEC Progress?

Keep up to date with the latest APEC news by regularly accessing the APEC website at www.apec.org. APEC's E-Newsletter also provides information on the selected key outcomes of the APEC process, new

publications, upcoming meetings and more. Simply fill out your details on the APEC website and the latest edition of the APEC E-Newsletter will be emailed to you.

Contact Us

For general information about APEC, please contact -

APEC Secretariat
35 Heng Mui Keng Terrace, Singapore 119616
Telephone Number: (65) 6775 6012
Facsimile Number: (65) 6775 6013
Website: www.apec.org

For general queries, feedback or comments, contact: info@apec.org
For queries on APEC trade marks and publications, contact: jt@apec.org
For media queries, contact: media@apec.org

Inquiries can also be directed to contacts in APEC Member Economies. A complete list of these contacts is available on the APEC website or by contacting the APEC Secretariat directly.



Asia-Pacific
Economic Cooperation