



Asia-Pacific
Economic Cooperation

**PUBLIC-PRIVATE DIALOGUE ON
TRADE FACILITATION**

**23–24 May 2006
Ho Chi Minh City, Viet Nam**

Proceedings

Committee on Trade and Investment

May 2006

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**AGENDA FOR
APEC PUBLIC – PRIVATE DIALOGUE ON
TRADE FACILITATION**

*Sofitel Plaza Hotel
Ho Chi Minh City, Viet Nam
May23-24, 2006*

Day 1: May 23, 2006

08:30 - 09:00 Registration of participants

09:00 - 09:30 Opening Session

Morning session Stock-take of existing trade facilitation initiatives

09:15 - 09:45 Stocktake of trade facilitation initiatives in the APEC
Speaker: Mr. Chris Decure – CTI Chair

09:45 – 11:15 Overview of regional and global trade environment:
landscape, developments, challenges and issues
related to trade facilitation and doing business

*Speakers: Mr. Yuen Pau WOO, President and Co-
CEO, Asia Pacific Foundation of
Canada*

*Mr. Christopher BURTON, Deputy
Director, Department of Foreign Affairs
and International Trade, Canada*

11:15 - 11:45 Coffee break

11:45 – 12:10 Works on trade facilitation by other organizations

*Speakers: Mr. John Panzer, Sector Manager,
International Trade Department, World
Bank*

*Mr. Rex CHANG, Assistant Director-
General of Trade and Industry, Hong Kong,
China*

12:10 – 12:30 *Q and A session*

Moderator: Mr. Yuen Pau WOO

12:30 - 14:30 Lunch break

Afternoon session Trade Facilitation and Business Cost Saving

14:30 - 15:45: Report on the Final Review of APEC Implementation of TFAP and 5% reduction in transaction costs in the period 2001-2006

Speakers: Mr. Yuen Pau WOO, President and Co-CEO, Asia Pacific Foundation of Canada

Mr. PHAM Quang Ngoc - Mr. NGUYEN Ngoc Anh, Senior Researcher, National Council for Science and Technology Policy

15:45 -16:15 Insights into cost reduction by trade facilitation measures of other organizations.

Speaker Dr. Peter Faust, Head, Trade Logistics Branch, UNCTAD

16:15 - 16:45: Coffee break

16:45 - 17:15: Insights into cost reduction by trade facilitation measures of other organizations (cont')

Speaker: Mr. John Panzer, Sector Manager, International Trade Department, World Bank

17:15 - 17:30 Q and A Session

Moderator: Dr. Peter Faust

End of day 1

Day 2: May 24, 2006

Morning session Public – Private Perspectives on Trade Facilitation & Trade Facilitation beyond 2006

09:00 - 10:30 Perspectives on Trade Facilitation

Speakers: Mr. Ralph Carter, USA - Managing Director Legal & Regulatory Affairs, FedEx

Discussant: Mr DUONG Van Tam, Deputy Director-General, General Department of Vietnam Customs, alternating Mr. VU Ngoc Anh – SCCP Convenor

Speakers: Mr Derek John, New Zealand – Director of Electrical Consultancy Services

Discussant: Mr. TRAN Van Hoc – SCSC Convenor

Speakers: Mr. Shunji Yoshida, Japan - Manager, Global Strategic Planning Dept., Global External Affairs Div., Toyota Motor Corp

10:30 – 10:50 Perspective on Public-Private Partnership facilitating trade

Speaker: Mr. PHAM Quang Ngoc - Mr. NGUYEN Ngoc Anh, Senior Researcher, National Council for Science and Technology Policy

10:50– 11:10 Coffee break

11:10- 12:10 TFAP beyond 2006

Collective Action Plan in 2006-2010

*Speakers: Dr. Andrew Elek – Australian
Consultant
Mr. Tetsuro Takayama, Japan – IT
Development Promotion Team Leader,
Planning and Administration Dept.,
Financial Business Unit, Sumitomo Corp*

Public - Partnership in Capacity Building

Speaker: Mr. HOANG Van Dzung- ABAC Chair 2006

- 12:10– 12:35 Q and A Session
Moderator: Mr. TRAN Van Hoc
- 12:35 – 12:45 Wrap-up session/closing remarks

APEC PUBLIC-PRIVATE DIALOGUE ON TRADE FACILITATION

(Project No. CTI 01/2006T)

Executive Summary

The APEC Public and Private Dialogue on Trade Facilitation under the Project No. CTI 01/2006T was held at Sofitel Plaza Hotel, Ho Chi Minh City, Vietnam on 23-24 May 2006.

The Dialogue aimed at (i) communicating the outcomes of 5 year implementation of APEC Trade Facilitation Action Plan (APEC TFAP 2001-2006) and (ii) brainstorming next step of trade facilitation activities in APEC in the period of 2006-2010, targeting further 5% reduction in transaction costs in the APEC region.

In the two day meeting, the Dialogue covered a wide spectrum of trade facilitation issues raised in APEC region and world-wide, ranging from stocktaking of APEC works on trade facilitation, the negotiation going on under DDA, works done by other organizations such as the World Bank and UNCTAD to technical issues related to customs, standards and secured trade. The Chairs of CTI, ABAC, SCSC and alternate Chair of SCCP also participated and shared with the Dialogue their views related to trade facilitation.

Interim report of Final Review was presented at the Dialogue by consultants. Final review of TFAP 2001-2006 provided useful reference to work out new plan. Though quantitative assessment could not be carried out in full scale, it gave a clear picture of where improvement needs to be made based on statistical analysis of pending issues in the 4 areas of the Menu of Actions. The Review showed that in e-commerce area, 17 % of measures selected are still pending. The figures are respectively 14% in customs, standards and 11% in business mobility. Qualitative assessment provides some hints on the reason behinds the uncompleted measures, which are divergence on measures taken among members, regulatory environment and technical infrastructure bottle-ness.

Recommendations

After the presentations and discussions in one day and a half, the Dialogue has come up with the following recommendations to the CTI *for consideration*:

1. *Need for a collective action plan to implement Trade Facilitation initiatives*

Views shared at the Dialogue seem to support a collective approach to APEC Trade Facilitation. Key features of such an approach could be focused, targeted and action-oriented and well-coordinated. The Menu of Actions and Measures carried out by APEC members in the last few years remain a good basis to start things in collective manner. **However, it would be valuable for APEC members to agree on a short list of**

[actions that all will implement](#). Some major issues emerged business environment and in doing business, as reported by the World Bank annual report are also important source of reference.

The next phase of the TFAP should therefore concentrate attention on those activities:

- which build on successful experience, including the experience of the TFAP so far;
- where collective action can add value to the efforts of the participating economies;
- whose progress can be measured;
- a group of pathfinder initiatives should be elaborated and voluntarily committed to achieving targeted progress and addressing newly emerged issues.

2. Need for a more effective implementation mechanism and progress reporting

The Dialogue stressed on the point that any good action plan will only take effect if it is accompanied by an effective implementation mechanism. A number of good ideas were proposed, such as a peer review process, valuation benchmarking, specific timelines and strong monitoring mechanism. [The Dialogue also noted the importance of adopting more concrete quantitative targets to supplement and contribute to the overall goal of a 5% reduction in transaction costs. The World Bank's Doing Business indicators and the World Customs Organization's Time Release Surveys were both cited in this context.](#)

Implementation should also pay due attention to coordination between and among APEC sub fora, ABAC and other international organizations. In this connection, public and private partnership should be strengthened.

3. Call for enhanced Public-Private Partnership

The enhanced relationship between government and business community could narrow the gap of expectations by governments and businesses through information sharing, engagement in policy-making process, infrastructure improvement, human resource development and institutional capacity building and outreach activities.

Public-Private Partnership should also capture attention and interest from both private sector and international organizations through out the spectrum of action: from agenda making, policy consultation, capacity building and investment in infrastructure. The engagement of private sector is not merely confined to formulating policies but follow up with capacity building actions to implement the adopted policies. Meanwhile, private sector is encouraged to make efforts with government by investing in infrastructures.

4. Targeted and sustainable Capacity Building

The Dialogue subscribed to the view that limits of capacity are the binding constraints on progress in most dimensions of trade facilitation. APEC human and financial

resources are limited. Special effort should be therefore concentrated on designing focused and targeted capacity building programs in partnership with other organizations and stakeholders. There is a scope for improving synergy between APEC, ABAC and other international organizations including the OECD, UNCTAD, the World Bank and other international financial institutions, and sectoral bodies such as the ITU and UNCITRAL.

Attachment

Summary of Discussions

Background settings

The Dialogue reviewed regional and global trade environment, clearly demonstrating the evolving nature of business landscape which has been witnessing such features as, to name a few, the growing importance of production networks, the increasingly rapid proliferation of Preferential Trade Arrangements, the emergence of recent secure trade measures, the ongoing developments in terms of WTO negotiations and infrastructure bottlenecks, economics of containerization. Busan Business Agenda – the centre-piece of the endorsed Busan Roadmap, other initiatives of relevant APEC fora also noted down as background-setting elements. In that line, trade facilitation seems to be “MFN” for every economies. In other words, trade facilitation actions and measures are open to all economies to benefit from. A whole-of-APEC approach to trade facilitation, possible collective action plans where measurable measures included, therefore are high on the “to-do list” for APEC.

The Dialogue saw the greater importance of International Organizations’ potentials to contribute to APEC’s works on trade facilitation. The Representative from the World Bank shared information on trade-related works undertaken by the Bank, emphasizing the goal of helping different economies implement comprehensive trade strategies that could address both the trade policy issues as well as the business climate behind the border agenda. The Canadian Representative, on behalf of co-organizers - New Zealand and Canada, briefed the Dialogue key outcomes of the Symposium on Private Sector Development which was held on 9-10 May 2006 in Montreal, Canada. Notably, one key element in this Symposium is the results of World Bank project on “Ease of Doing Business”. The striking significance of this event was the role of bridge which IOs can play to bridge APEC governments with private sector in the sense that for the first time an international organization undertook a work on firms and make it available to APEC. The Dialogue discussed various ways that IOs, say the World Bank can contribute to APEC’s works as the whole region. For instance, the Bank could provide a nice source of benchmarks with their analytical capacity and expertise. In this regard, the question of what APEC can plug in the existing efforts by IOs to help them accomplish their mandate was raised and noted with high attention. Addressing this question, the role of channeling information to the IOs that APEC can play was floated, for APEC is unique in the ability to bring ideas out from grassroots, pull out concerns from more than one APEC economy to the Leaders and vice versus. Such kind of inputs could be of help to the IOs.

The latest developments regarding trade facilitation negotiations within the WTO, specifically the works of Negotiating Group on Trade Facilitation (NGTF) very much contributed to set the overall picture of trade facilitation at global level. The Dialogue discussed the concerns left from Hong Kong Ministerial Conference. They are to work towards a set of multilateral commitments on trade facilitation and accelerate to draft mode early enough after the Conference noting the overall deadline for finishing the negotiations. Looking at the way forward, all shared the point that it’s necessary to distill the commonalities from the proposals and turn them into binding commitments in form of legal text and attached great importance to technical assistance, capacity

building and special and differential treatment (S&DT). What APEC can advance ahead in this area of work within the WTO is through the role of APEC Geneva Caucus which can help channel business concerns.

Interim Progress Report on Final Review of TFAP in 2001-2005.

The above presentation and discussion set an overall background for participants to engage in the following session, focusing on final review assessment on a preliminary basis and efficiency of cost reducing generated by trade facilitation actions and measures.

Against this background, the Dialogue discussed the interim progress report on Final Review of TFAP over the past 5 years, provided by commissioned consultants from Vietnam and Canada. The interim report is attached for reference and expected to be discussed in the CTI meeting. In a nutshell, there is certainly improvements compared to the achievements in the Midterm review. It is extremely difficult to come up with measure reduction in transaction costs on an aggregate average. The accumulated achievements in implementing TFAP are not necessarily interpreted in numerical indicators. Instead, using a set of indicators to score the outcomes at sectoral level, say the auto industry, could be helpful. The report also touched upon the capacity building, the role of public-private partnership, reporting mechanism etc.

Complimentary to the final assessment of cost reductions, the Dialogue also looked at the impacts of trade facilitation activities on private sector by the UNCTAD and World Bank. From national perspectives, there is no losers of trade facilitation as minority benefits from the lack of facilitative environment and majority stands to gain from trade facilitation programs. SMEs, in the case of India, stand as the most beneficiaries from trade facilitation initiatives thanks to enhanced transparency, simpler border-crossing and administrative procedures and documentation, predictable formalities, fees and charges and reliable transport operations etc. To meet the expectations of private sectors in terms of ongoing negotiations on trade facilitation – related articles (Article V, VIII and X), in the short term, UNCTAD can provide technical assistance to enable negotiators to “better evaluate the implications” of the negotiated trade facilitation rules on their development policies and objectives. In the longer run, UNCTAD is willing to provide technical assistance aimed at enhancing national capabilities to effectively implement the negotiated trade facilitation rules. This will contribute to support reforms in national policy-making, as well as institutional and infrastructure development.

In addition, the World Bank representatives shared its 7 priorities in terms of what can be done to lower trade transaction costs, namely automation; harmonization of systems, procedures and documentation in line with international standards; measurement of performance; transparency; cooperation and partnership with the private sector; risk management and human resource management. He also wrapped up works in relevant APEC sub-fora and provided suggestions for higher facilitative efficiency.

APEC Trade Facilitation from Business Perspectives

The morning session of the 2nd day was designed to capture perspectives from businesses in different areas facilitating trade such as standards and standard conformity, business mobility as well as customs. Representative from Fedex, U.S.A shared its experience on benefits gained from the backing of governments for their businesses by citing good examples of cooperation with customs agency. In its views, close cooperation between government and businesses, particularly in the area of express delivery could help enhance efficiency of border management and risk management, improve confidence for consumers, predictability and transparency. All that could help generate higher rate of return or economic benefits for businesses.

In a separate presentation, New Zealand representative informed the Dialogue of standards-related issues and the impact on private sector business operation. The speaker emphasized the need for standards harmonization, mutual recognition, regulator-to-regulator dialogue and increased involvement of private sector in the process of regulations making. Also, it is necessary for regulators, while making laws, to reserve enough time for private sector to get familiar with new regulations and amendments (if any).

At the Dialogue, Japanese representative also shared views on business mobility activities in the APEC region. The updated developments related to APEC Business Travel Card Scheme, including difficulties and suggestions to improve the effectiveness of such a program were raised and shared with interest by participants.

Participating in the Dialogue, SCSC Convenor and Alternating Convenor of SCCP also briefed the audience the achievements gained in their working groups and their future works to facilitate trade.

Analysis on public-private partnership (PPP) in trade facilitation was also touched upon by Final Review consultant. The role of PPP has been enhancing compared with what can be seen in the Midterm Review exercise. It is initial findings and may well be developed further in the future.

Most of the time in this session, participants discussed and shared the view that collective action plan is needed but only a few specific and defined measures. Economies shall commit themselves to those actions and measures, unless it would be a failure to reach the goals. ABAC Chair 2006 addressed the audience on the role the public-private partnership in capacity building activities, highlighting its ECOTECH priorities (strengthening standard body, improving SMEs, ensuring strong financial systems in the region and anti-corruption and transparency) and possible contribution ABAC can make in this process.

**OPENING REMARKS BY Mrs. TRAN THI THU HANG – VIETNAM
SENIOR OFFICIAL TO APEC**

at

PUBLIC-PRIVATE DIALOGUE ON TRADE FACILITATION

(Sofitel Plaza Saigon Hotel, 17 Le Duan, District 1
HCM City, Viet Nam, 23-24/05/2006)

*Distinguish Guests,
Ladies and Gentlemen*

On the outset, I would like to extend to you all my sincere thanks for your interest devoted to the Public-Private Dialogue on Trade Facilitation and warmly welcome your active participation. Your presence here today represents a good demonstration for your keen interest in trade facilitation works within APEC.

As you are all aware of, trade and investment facilitation constitutes one of three key pillars of APEC's works since its inception in 1989. Since 2001, APEC Leaders through the Shanghai Accord laid out the target of 5% reduction in transaction costs in the region by 2006. The Trade Facilitation Action Plan was given birth the following year and provided the basis for economies to table, on a voluntary its selected Menu of Actions and Measures in trade facilitation. APEC has proven itself active and advancing in trade facilitation field through collective action plans (CAPs), individual action plans (IAPs) and pathfinder initiatives. The Mid-term Review Exercise held in 2004 has pointed out that the said 5% reduction target is well within reach. There emerged, however, a consensus by all member economies that APEC needs intensify its efforts and explore additional trade facilitation measures so as to be more responsive to business community's calls.

In 2005, Ministers reiterated APEC's determination and leading role in the field of trade facilitation by setting another 5% reduction in transaction costs in 2006-2010 period, which really focuses on the great importance of enhanced Public-Private Partnership from the very initial phase, such as policy formulation. One of the two major objectives of this Dialogue is to call for inputs from business community to develop TFAP for the 2nd phase.

I see this Dialogue a favorable platform for businesses to voice their difficulties they have been facing and their aspirations to APEC governments so as to coordinate efforts between governments and businesses towards the common goals. In addition, this Dialogue could equip businesses with an overall picture of what APEC has achieved, and grasp business opportunities and capacity building that APEC can generate. I hope you will actively participate in the Dialogue by providing practical questions and comments, particularly in the Q & A sessions today and tomorrow

morning so that we could all together make this Dialogue a truly valuable contribution to APEC's works.

Finally, on behalf of Ministry of Trade of Vietnam, may I wish the Dialogue a fine success. May I wish you have a useful time.

Thank you very much./.



Asia-Pacific
Economic Cooperation

2006/SOM2/CTI/PPDTF/003

Press Release

Submitted by: Viet Nam



**Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Viet Nam
23-24 May 2006**

1. In the morning of May 23th, 2006 at Sofitel Plaza Saigon Hotel, Ho Chi Minh City the Public-Private Dialogue on Trade Facilitation was opened with the two major objectives: (i) communicate outcomes of 5 year implementation of APEC Trade Facilitation Action Plan (APEC TFAP) to the APEC community and (ii) call for inputs from private sector for the 2nd phase of TFAP (in 2006-2010).
2. Present at the Dialogue are about 200 representatives from all 21 APEC member economies, scholars, representatives from international organizations such as the World Bank, the UNCTAD and a number of participants from private sector. Participants have actively engaged in each session of the Dialogue with questions and comments raised in a constructive and cooperative manner.
3. The Public – Private Dialogue lasts from 23rd May to the morning of 24th. Discussions in respective sessions focus on:
 - Existing trade facilitation initiatives in APEC and other international organizations such as the WTO, World Bank and UNCTAD;
 - Efficiency of Cost Saving achieved during the implementation of TFAP;
 - Business Perspectives on specific areas of trade facilitation and Trade Facilitation beyond 2006, aiming at further reduction of 5% transaction costs for doing business in the APEC region.

Key results of the Dialogue will be reported to the 2nd Committee on Trade and Investment Meeting (CTI II) and the 2nd Senior Officials' Meeting.

For more information, please contact:

APEC – ASEM Division

Multilateral Trade Policy Department

Ministry of Trade

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Asia-Pacific
Economic Cooperation

2006/SOM2/CTI/PPDTF/004

New and Emerging Issues for APEC's Trade Facilitation Agenda

Submitted by: Asia Pacific Foundation of Canada



**Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Viet Nam
23-24 May 2006**



New and Emerging Issues for APEC's Trade Facilitation Agenda

*Mr. Yuen Pau WOO
President and Co-CEO
Asia Pacific Foundation of Canada*

1. The Global Business Environment
2. APEC's Busan Business Agenda and Related TF Activities
3. The Role of Other International Organizations
4. Implications for APEC

Global Business Environment

- **Growing importance of production networks and need for supply chain efficiency**
 - Simplification of trade-related formalities (WTO TF agenda)
 - E-commerce strategies
 - Contingency planning in the face of adverse shocks
- **Proliferation of Preferential Trading Arrangements**
 - Need for least restrictive approach to rules of origin
 - Tariff reduction is inherently discriminatory but facilitation measures lend themselves to be an "MFN" approach
- **Premium and Payoff in Secure Trade**
 - Improved security of goods in transit
 - Growing awareness of benefits to "low risk" traders, but
 - Ongoing challenges for developing countries that cannot meet secure trade standards

Global Business Environment

- Stalled multilateral trade negotiations
 - TF may be sideswiped
 - Commitments, Conflict, and Capacity Building
- Infrastructure bottlenecks and the economics of containerization
 - Port congestion
 - Global shortage of containers

APEC's Busan Business Agenda

- Further reduction in transaction costs by 5% by 2010 and identifying a list of collective actions;
- Build on the APEC Anti-counterfeit and Piracy Initiative;
- Increased investment liberalization and facilitation;
- Strengthening APEC Efforts to Fight Corruption and Ensure Transparency,
- Greater SME focus, especially human resources and technology, and business regulation;
- Fostering more secure trade in the APEC region
- An integrated approach to structural reform issues, with the aim of promoting greater openness and competition

Other APEC TF Initiatives

- TF Activities of Other APEC Fora, not only SCCP, SCSC, E-Commerce, and Business Mobility, but also ABAC, industry dialogues, STAR
- Greater emphasis on measurement and timetables
- How to connect TFAP process with these activities? Need for consolidation and systematic peer review?

Role of Other International Organizations

- Multilateral Development Banks (Analytics and Technical Assistance)
- OECD, UNESCAP
- Specialized agencies (WCO, IMO, ITU, ISO, IEC, PASC)
- Private-sector led (ICCC, ABAC)
- Greater attention to measurement (WB/IFC's Doing Business Project)

Types of IO Support for TF

- *Diagnostic Tools and Performance Indicators* (e.g. WB Trade and Transportation Facilitation Audit; WCO time release methodology)
- *International Standards/Conventions* (WCO Kyoto Convention)
- *Good Practices* (WB Customs Modernization Handbook)
- *Automation* (UNCTAD Advanced Cargo Information System)
- *Dialogue and Coordination* (UNESCAP ARTNET)
- *Legislative Toolkit* (UNCITRAL Model Law on Electronic Commerce)

Implications for APEC's TF Agenda

- Review of TFAP 2001-2006
- Whole-of-APEC approach to TF
- Capacity Building – needs assessment, technical assistance, private sector partnerships
- Measurement and audit
- Partnerships with other international organizations?



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Trade Facilitation and the “Ease of Doing Business”

Submitted by: Canada



**Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Viet Nam
23-24 May 2006**

Trade Facilitation and the “Ease of Doing Business”

Outcomes from the Canada/New Zealand Joint APEC Symposium on Private Sector Development
Montreal, Canada, 9-10 May 2006

Private Sector Development

- Private Sector Development/Ease of Doing Business Means Creating an Enabling Environment for the Private Sector
- Includes: Regulatory Environment; Access to Finance, Technology and Markets; Human Resources and Entrepreneurship
- Trade Facilitation is a Component of Private Sector Development -- Transaction Costs at the Border

APEC Symposium on Private Sector Development

- A “Public-Private Dialogue”: both APEC officials and ABAC members participated
- Expert Presentations from World Bank, OECD, Asian Development Bank, Inter-American Development Bank
- National Case Studies from Mexico, Canada, Viet Nam, Singapore
- Discussion Groups

The Symposium’s Outcomes

- Agreed on Importance of Issue and Value of APEC Action
- Identified Priorities for APEC Work
- Welcomed World Bank Work as Conceptual Framework and Source of Benchmarks

Proposed Priorities for APEC Work

- Regulatory Burden
- Taxation Complexity
- Access to Finance
- Labour Law Complexity

World Bank Work on Ease of Doing Business

- Measures Time, Steps and Cost of Simple Business Transactions (e.g. opening a business, collecting a debt, exporting)
- Makes Economies Around the World Comparable
- Shows Best Practices; Effects of Different Policy Options on Relative Performance
- Shows that Improving Business Environment Promotes Growth (moving to top quartile adds estimated 2.2% to annual growth)

Lessons for Trade Facilitation

- Development Benefits of Simplifying Regulations and Reducing Transaction Costs
- Importance of Measurement for Benchmarking and Identifying Best Practices
- Importance of Consultation and Outreach



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Trade at the World Bank

Submitted by: World Bank



**Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Viet Nam
23-24 May 2006**



Trade at the World Bank

International Trade Department

May 28, 2006 Aid For Trade Washington DC

Agenda

1. Who are we and how we are organized
2. Our Goal: Making Trade Work for Development
3. Trade for Growth at Country Level
4. Looking Forward

Who we are and how are we organized



- Regional Management and Staff working in Economic Policy, Infrastructure, Private Sector Development and Agriculture and Rural Development
- International Trade Department

Regional Trade Coordinators Partnerships across Sectors

Our Goal: Making Trade Work for Development

- Development friendly world trading system
- Help countries use trade as lever for growth and poverty reduction

Our Focus at the Global Level



- Doha Development Agenda (e.g. trade facilitation)
- Regionalism and Regional Trade Agreements
- Aid For Trade

Our Focus at the Country Level: Trade for Growth



Facilitating cross-sector work in the Bank

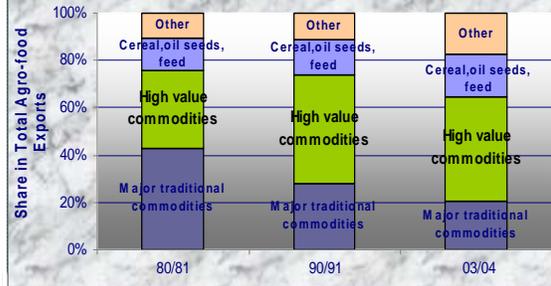
Globalisation: full steam ahead?

- Technological change and splitting up of production chains will continue to drive greater trade and capital flows.
- Global companies seeking out lowest cost locations
- The global market enacts a high price on those not using competitively supplied inputs



The Rising Importance of Non-Traditional Exports.....

Figure 3 : Changing Structure of Developing Country Agro-food Exports



...brings greater demands in terms of standards....

- Competitiveness depends on capacity to satisfy both mandatory (SPS/TBT) and private standards in export markets
- Standards in developed countries are shaping expectations of consumers in developing countries

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...and increased need for timeliness to be competitive.

- Increasing importance of air transport (30% of US imports now come by air)
- Globalization means that to be competitive exporters require access to imported inputs at world prices
- Increasing impetus to hold lower inventories
- Particular problems for land-locked countries

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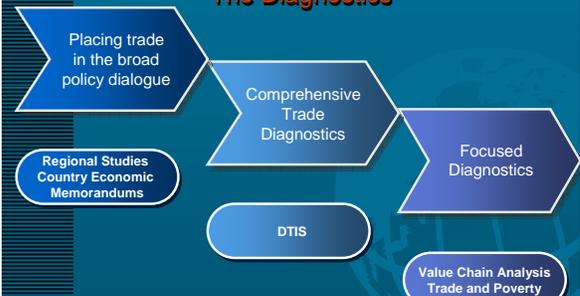
Despite improvements in trade policies, many Countries Have Been Left Behind

- The experience of individual countries varies greatly
- 43 countries had no expansion of exports between 1980 and 2000
- Increase in market share mainly associated with today's Middle Income Countries
- Much growth in South – South trade

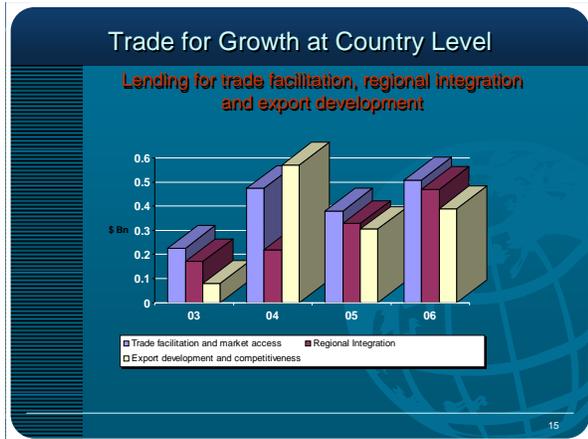
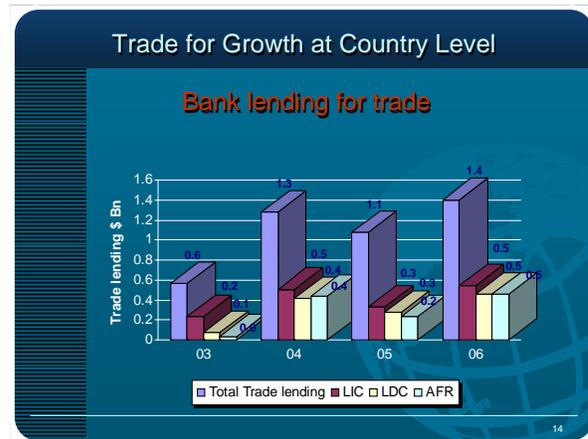
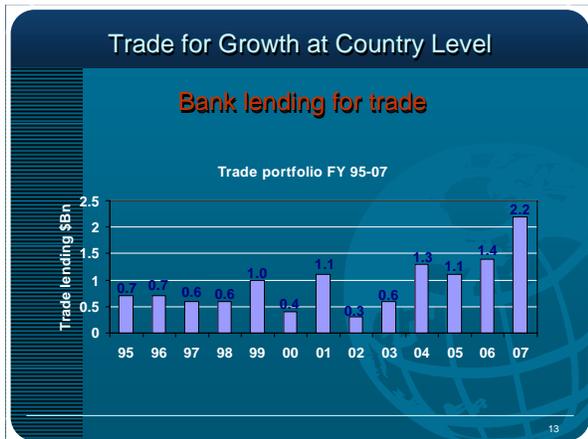


Trade for Growth at Country Level

The Diagnostics



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Trade for Growth at Country Level

	Size	Countries
Northern Corridor: East Africa Trade and Transport Facilitation	\$ 200 million	Kenya, Tanzania, Uganda, Rwanda
West and Central Africa Air Transport Safety and Security	\$ 33 million	Burkina Faso, Cameroon, Guinea, Mali
Viet Nam Customs Modernization	\$ 66 million	Vietnam

Standards: growing area of engagement

	Projects	Size
2003	7	\$44 million
2006	25	\$ 150 million
2007	44	\$ 300 million

- Croatia, Vietnam, Senegal

- ### Trade Policy in Bank Operations and Policy Dialogue
- #### Trade Policy and trade liberalization - critical areas for the Bank
- Trade liberalization coming back on the agenda
 - Lagging countries (Pakistan, India, Bangladesh, Egypt)
 - Enhancing competitiveness and growth (Madagascar, Mauritius, Mexico, Ukraine)
 - Liberalization in the context of trade agreements (Latin America)
 - Domestic reform of tradable sectors (Africa commodities, services)

Trade Policy in Bank Operations and Policy Dialogue

Our goal: To help countries implement comprehensive trade strategies that address both the trade policy issues as well as the business climate behind the border agenda



Budget Support for reform programs with trade

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Looking Forward

The Independent Evaluation Group Report (1987 – 2004)

- ▶ High marks for advocacy at the global level
- ▶ More needs to be done to mainstream trade in country programs

Endorsement by the Board and Bank Management

- ▶ Increase engagement on a selective basis
- ▶ Bridge gaps across sectors
- ▶ Knowledge and Capacity Building

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The end

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Negotiation on Trade Facilitation in the WTO

Submitted by: Hong Kong, China



**Public-Private Dialogue on Trade Facilitation
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APEC Public-Private Dialogue on Trade Facilitation

(Ho Chi Minh City, 23-24 May 2006)

Presentation by Mr Rex Chang,
Assistant Director-General of
Trade and Industry,
Hong Kong, China

Works on Trade Facilitation by Other Organizations -

Negotiations on Trade Facilitation in the WTO

Background of the Negotiations

- Doha Work Programme: Decision Adopted by the WTO General Council on 1 August 2004
 - Negotiations commenced on the basis of the modalities set out in Annex D of the Decision (the so-called “July Package”)
- Establishment of the WTO Negotiating Group on Trade Facilitation (NGTF) at the Trade Negotiations Committee (TNC) meeting of 12 October 2004

Aims of the Negotiations

- Clarify and improve relevant aspects of the following GATT Articles:
 - Article V on “Freedom of Transit”
 - Article VIII on “Fees and Formalities connected with Importation and Exportation”
 - Article X on “Publication and Administration of Trade Regulations”

Aims of the Negotiations (*cont'd*)

- Enhance technical assistance (TA) and support for capacity building (CB)
- Take fully into account the principle of special and differential treatment (S&DT) for Developing and Least Developed Members

Progress of the Negotiations

- Active and constructive discussions among WTO Members since the establishment of the WTO NGTF - 13 plenary meetings thus far
- Over 70 proposals on the following areas have been submitted by various WTO Members:
 - GATT Articles V, VIII and X
 - TA, CB and S&DT
 - Cooperation among customs authorities

Progress of the Negotiations (Cont'd)

- Compilation of WTO Members' proposals by the Secretariat
- Endorsement of work programme by NGTF in the Hong Kong Ministerial Declaration

Hong Kong Ministerial Declaration

Major points concerning trade facilitation are:

- To intensify the negotiations by the NGTF on the basis of WTO Members' proposals with a view to developing a set of multilateral commitments on trade facilitation
- To be mindful of the overall deadline for finishing the negotiations and the resulting need to move into focussed drafting mode early enough after the Hong Kong Ministerial Conference so as to allow for a timely conclusion of text-based negotiations

Latest Developments

- Two plenary and one intersessional meetings held since the Hong Kong Ministerial Conference
- Members' increasing commitment to the process by submitting new proposals and refining existing ones
- Informal exchanges amongst Members
 - Individual and collective exchanges conducted regularly
 - To identify areas of interest/concern and to find possible solutions

The Way Forward and Challenges

- Main challenges in the coming months:
 - To distil the commonalities from the proposals and turn them into binding commitments in form of legal text
 - To iron out provisions on TA, CB and S&DT

The Way Forward and Challenges (Cont'd)

- Collaboration to pave way for text-based negotiations
 - WTO Members working together to identify and consolidate the common elements of the proposals for developing texts for further negotiations
 - A number of collaborated texts have been circulated for WTO Members' consideration

APEC Contribution to the WTO Negotiations

As endorsed at the Senior Officials' Meeting (SOM) in March 2006, APEC would :

- Communicate and cooperate with APEC Geneva Caucuses to contribute substantially to the advancement of trade facilitation negotiations in the WTO

APEC Contribution to the WTO Negotiations (Cont'd)

- Contribute to the WTO negotiations on three fronts:
 - Building the capacity of economies to participate in WTO trade facilitation negotiations
 - Building the capacity of economies with respect to domestic stakeholder consultations
 - Helping the WTO understand business perspectives on trade facilitation

APEC Contribution to the WTO Negotiations (Cont'd)

- APEC also provides political impetus to the WTO negotiation process
- APEC MRT meeting
- Clear and strong message in support of the Doha Development Agenda (DDA) negotiations

Looking Ahead

- Intensify collective efforts to establish a set of multilateral commitments to clarify and improve existing WTO provisions, with a view to further expediting the movement, release and clearance of goods, including goods in transit
- Consolidate and refine existing proposals, with a view to thrashing out initial draft legal text on as many areas as possible before the summer break

Looking Ahead (Cont'd)

- Governments and businesses working together to implement and reap the benefits of trade facilitation commitments
- APEC and other organizations can continue to contribute to and assist in the process

The End - Thank You!



Asia-Pacific
Economic Cooperation

2006/SOM2/CTI/PPDTF/008

Review of APEC Trade Facilitation Action Plan 2001- 2006

Submitted by: Asia Pacific Foundation of Canada



**Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Viet Nam
23-24 May 2006**



Review of APEC Trade Facilitation Action Plan 2001-2006

Presentation to Private-Public Dialogue on Trade Facilitation, Ho Chi Minh City 23-24 May 2006

Background

- 2001 goal of 5 percent reduction in transaction costs by 2006
- APEC TFAP developed in 2002, including menu of actions in four key areas of TF
- Mid-term review in 2004, resulting in TFAP Roadmap for remaining two years
- Final report to assess implementation of TFAP and to suggest collective actions for further 5 percent reduction in transactions costs to 2010
- Presentation of preliminary results at HCM Private-Public Dialogue; final report due in Sep 2006

Outline of Report

- 1.0 Introduction
- 2.0 Final Review of APEC TFAP, 2001-2006
 - 2.1 Overall Quantitative Assessment
 - 2.2 Qualitative Assessment of Trade Facilitation Actions
 - 2.3 The Role of the Private Sector and Public/Private Partnerships
 - 2.4 Examples of Measurable Trade Facilitation Actions
 - 2.5 Capacity Building Needs and Assistance
- 3.0 Trade Facilitation Beyond 2006, including Suggestions for Collective Actions and a New Reporting Template

Quantitative Assessment

- Difficult to measure overall reduction in transaction costs for the region as a whole, but 2004 study by Mann suggests that the targets can be easily met
- Instead, this study looks at progress in the TFAP initiatives as reported by member economies. It is an incomplete (and possibly biased) measure of TFAP's success

Quantitative Assessment of Reported TFAP Initiatives

	Selected	Base (100%)	Completed	In Progress	Pending
Customs Procedures	861	877	609 (69%)	147 (17%)	121 (14%)
Standards and Conformance	304	299	156 (52%)	102 (34%)	41 (14%)
Business Mobility	92	94	56 (60%)	27 (29%)	11 (12%)
E-Commerce	174	174	81 (47%)	63 (36%)	30 (17%)
TOTAL	1431	1444	902 (62%)	339 (24%)	203 (14%)

Summary of Quantitative Assessment Compared to Mid-Term Review

- Greater number of actions selected and in progress
- Slightly higher percentage of completed items (+4 percent)
- Roughly same number of in progress items
- Slightly fewer "pending" items
- Customs and Mobility have the highest percentage of completed items
- Only 50 percent of standards items completed
- E-commerce has highest percentage of incompletes, but has seen sharpest improvement since 2004. Also highest percentage of pending items.

Qualitative Assessment: Customs Procedures

- **Successes**
 - Public Availability of Information
 - Customs Computerization and Modernization
 - Collective implementation of regulations (eg. HS Convention)
 - Reform of domestic customs laws and regulations, capacity building programs
 - Risk Management
- **Challenges**
 - Loose coordination between APEC economies
 - Big gap among APEC members in the use of technology in customs administration

Qualitative Assessment: Standards and Conformance

- **Successes**
 - Alignment with international standards and WTO TBT Agreement
 - Participation in international MRAs
- **Challenges**
 - Limited number of MRAs signed between APEC members
 - Food, motor vehicles, steel, and electrical goods still subject to divergent standards and requirements

Qualitative Assessment: Business Mobility

- **Successes**
 - Greater uptake of APEC Business Travel Card
 - Increased use of information technology
 - Implementation of APEC 30-day processing standard
- **Challenges**
 - Number of ABTCs issued small because of low awareness among business and immigration officers
 - Difficulty in obtaining special APEC lane
 - Lengthy process for pre-clearances

Qualitative Assessment: E-Commerce

- **Successes**
 - Progressive removal of barriers to e-commerce
 - Security, trust, and privacy
 - Paperless Trading
- **Challenges**
 - Lack of legal and institutional infrastructure
 - Inertia and propensity to maintain the status quo
 - Need for increased coordination among agencies
 - Concern about information privacy protection
 - Differences in paperless trading and e-commerce due to members' policies, legal and technical frameworks

Measurable Trade Facilitation Actions

- Greater use of quantifiable indicators, especially in the area of customs procedures
- Greater emphasis on accuracy and auditing
- However, in many cases, indicators are very vague, inconsistent, and difficult to quantify
- Parallel efforts underway, e.g. APEC assessment of paperless trading; WB/IFC Doing Business across borders indicators

Examples of Measurable Trade Facilitation Actions

Most Commonly Used Indicators

- | Customs Procedures | Standards |
|---|--|
| 1. Number/Proportion of import/export declarations processed electronically | 1. Percentage of total standards that are aligned with int'l standards |
| 2. Reduction in customs clearing time | 2. Number and/or % of standards published and available to the public |
| 3. Average time for checking customs declarations | |
| 4. Level of inspection technology | |

Examples of Measurable Trade Facilitation Actions

Most Commonly Used Indicators

Business Mobility

1. Average processing time for business, residency, and working visas
2. Percentage of entry visas and work permits applications that are finalized and processed within 30 days APEC minimum
3. Number of APEC Business Travel Cards issued

E-Commerce

1. Reduction in reported losses due to security breaches in e-payment system
2. Reduction in transaction costs due to the introduction of e-payment system

Capacity Building Needs and Assistance

- CB is universally recognized as a crucial element in trade facilitation for developing economies
- Relatively poor reporting on capacity gaps and building
- Biggest improvement since mid-term assessment appears to be in the areas of standards and e-commerce
- Weak links between TFAP and bilateral development cooperation activities
- May 2005 Workshop on Capacity Building in Trade Facilitation is a good start

Preliminary Conclusions

- TFIAPs have served a useful framework for member economies to provide information on their TF actions, but progress is difficult to measure
- Quality of information is only as good as the effort put into preparing the reports
- Need for better and more extensive quantitative reporting, based on self-selection of measurable indicators
- The private sector, led by ABAC, should propose measurable goals for TF improvement (economy wide as well as sector-by-sector)

Preliminary Conclusions

- 5% goal is modest. In particular TF areas, more ambitious targets are possible
- Adoption of the WB/IFC Doing Business indicators as part of the work plan to 2010?
- Whole-of-APEC approach to trade facilitation
- Peer review of TFIAPs based on performance rather than on commitments

Preliminary Conclusions

- Leadership on Doha negotiating items, including capacity building
- Development of a capacity building pipeline, working closely with IFIs and bilateral donors
- New reporting template should be less expansive and cumbersome, but much more focused on the areas targeted for improvement and the measures to be used in assessing progress



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2006/SOM2/CTI/PPDTF/009

**Assessment of Commonality in Successes and
Difficulties APEC Member Economies Face in Four
Traditional Sectors of Trade Facilitation**

Submitted by: Viet Nam



**Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Viet Nam
23-24 May 2006**

Assessment of commonality in successes and difficulties APEC member economies facing in 4 traditional sectors of trade facilitation

by
Ngoc Q. Pham and Anh N. Nguyen
Development and Policies Research Center
(DEPOCEN)

Paper presented at APEC Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Vietnam
May 23-24, 2006

Structure of the presentation

4 traditional sectors APEC member economies facing in:

1. Customs
2. Standards
3. Mobility of business people
4. E-commerce

Customs

- Successes
 1. Customs computerization and modernization
 2. Collective implementation of regulations and benchmark of international organizations
 3. Reform of domestic customs laws and regulations, capacity building programs and relatively wide application of risk management techniques
- Difficulties
 1. Loose coordination between APEC economies on customs sector
 2. Big gap between APEC members on the application level of modern technology in customs

Standards

- Successes
 1. Alignment with international standards and WTO TBT Agreement
 2. Participation in MRAs with other partners
- Difficulties
 1. limited number of MRA signed between APEC members
 2. number of APEC standards though to be commensurate with international standards increase significantly by every passing day but it still can not meet the requirements

Mobility of business people

- Successes
 1. APEC Business Travel Card (ABTC)
 2. Application of IT to facilitate the cross-border movement of business people
 3. APEC 30-day processing standard
- Difficulties (ABTCs issued)
 1. Disparities in definitions or interpretations of "business visit" among member economies
 2. Duty officers' ignorance of the scheme
 3. ABTC holders cannot achieve the full benefit of fast-track entry/exit through special APEC lanes

E-commerce

- Successes
 1. Removal of barriers to e-commerce
 2. Developing a Paperless Trading Environment
- Difficulties
 1. Need for more enabling legal and institutional infrastructure
 2. Need for increased coordination among agencies

Who we are

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Asia-Pacific
Economic Cooperation

2006/SOM2/CTI/PPDTF/010

UNCTAD's Work on Trade Facilitation – Impact on the Private Sector

Submitted by: UNCTAD



**Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Viet Nam
23-24 May 2006**

UNCTAD's work on Trade Facilitation – Impact on the private sector

Peter Faust
Trade Logistics Branch, UNCTAD

Ho Chi Minh City, 23 May 2006

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Contents

1. UNCTAD: A vision of Trade Facilitation
2. Does the private sector need TF?
3. TF and the Doha Development Round
4. Technical assistance & capacity building

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

1. A vision of Trade Facilitation

Trade Facilitation is a process towards better management of trade.

It can provide an enabling environment for trade and transport by reducing the overall cost of international trade transactions through the alignment on internationally-agreed trade and transport instruments and commercial best practices.

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A coherent approach

```

    graph TD
      TF(TRADE FACILITATION) --> S(Simplification)
      TF --> H(Harmonisation)
      TF --> St(Standardisation)
      S --> S_desc[Process of eliminating all unnecessary elements and duplications in formalities, processes and procedures]
      H --> H_desc[Alignment of national procedures, operations and documents with international conventions, standards and practices.]
      St --> St_desc[Process of developing internationally agreed formats for practices and procedures, documents and information.]
    
```

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UNCTAD's contribution to Trade Facilitation

- Research and analysis.
- Exchange of experiences & consensus building.
- Information systems development.
- Technical assistance & capacity building

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Research and analysis

- Improvement of the legal framework for transport and trade facilitation.
- Tools for assessing needs and priorities in TF.
- Support to transport and trade facilitation platforms.
- Trade and transport facilitation cluster development..

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Exchange of experience and consensus building

- **Experts meetings:**
 - MT & logistics services, Sept. 2003
 - Transit transport arrangements, Nov. 2004
 - Trade Facilitation, Sept. 2005
- **Intergovernmental meetings:**
 - Almaty Parallel Event on Trade Facilitation, Aug. 2003

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Information systems development

- **ASYCUDA:**
 - installed in 84 countries.
 - See web-site: www.asycuda.org
- **ACIS:**
 - installed in 18 countries.
 - See web-site: www.railtracker.org

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Technical assistance & Capacity building

- **Inter-regional projects:**
 - Needs and priorities in trade facilitation;
 - Transport and trade facilitation platforms;
 - Sustainable T & TF capacity for LLDCs;
 - Assistance in WTO negotiations on TF
- **IT-based management projects:**
 - ACIS;
 - ASYCUDA.
- **Integrated country projects:**
 - AFG and PAK (in cooperation with the WB);
 - ECO.

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ASYCUDA Automated System for Customs Data

ASYCUDA is a tool to complement Customs Reform & Modernization programme, leading to:

- faster Customs clearance procedures;
- better valuation of imports and exports;
- higher Customs revenue collection and control;
- Timely production of trade statistics.

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ASYCUDA is:

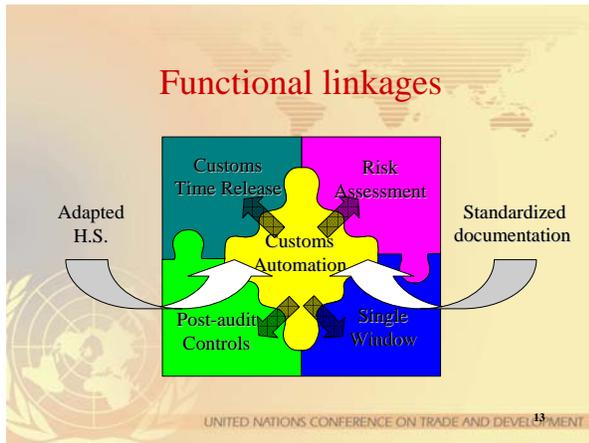
- a computer software developed and constantly upgraded by UNCTAD;
- provided free to Customs administrations;
- implemented under UNCTAD supervision (for adaptation to the local conditions);
- part of a Government's commitment towards Customs Reform & Modernization.

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ASYCUDA main features

- Traditional core features;
- SAD
- DTI (declarations);
- Selectivity module (Risk management);
- Transit module.

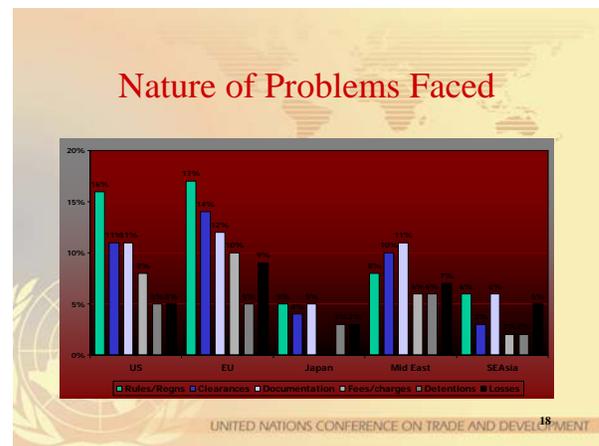
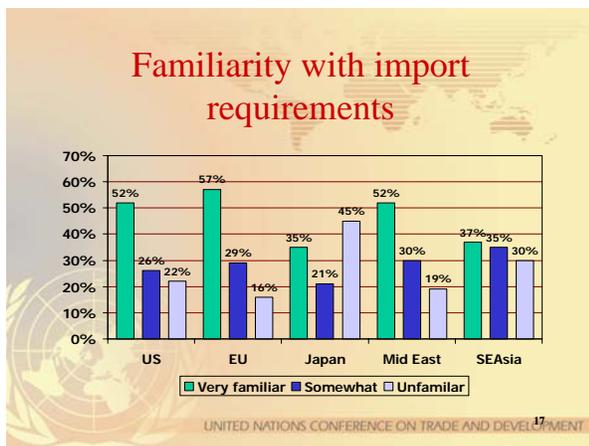
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- ### Impact of ASYCUDA /Philippines
- Reduction in documentation/signatures
 - Signatures for release down from 92 to 5
 - Docs from 30 to 1 SAD
 - Reduction in clearance time
 - Import cargo processing from 8 days to 2 hours
 - Selectivity
 - Up to 95 % green channel
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- ### 2. Does the private sector need TF?
- Winners and losers of TF
 - Minority benefits from lack of facilitative environment
 - Majority stands to gain from TF programs
 - Both large companies and SMEs
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- ### Trade assessment India - Exporter Profile
- More than 90% of India's export processors are SMEs
 - More than 40% of exporters are SMEs
 - Export consignments are small (LCL) in many sectors
 - Considerable dependence on intermediaries for trade documentation and logistics planning
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Impacts on small enterprises

- Contrary to expectations, costs/risks are lower for smaller enterprises.
 - Small players are often not direct exporters
 - Shipment on C&F or FOB terms, so destination delays are not to shipper account
 - No recurrence of problems, as business links are often not long-term
- Larger operators, being part of global chains, face more compliance related costs.

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Developing Country Private Sector as Driver of Change

- Private sector needs to recognise that Customs reform need not be just public sector issue
- Customs bottlenecks and bureaucracy need not just be a "cost of doing business"
- The private sector can positively influence and instigate reform by cooperating with governments in partnership
- Private sector needs to demonstrate the benefits of customs reform to governments (increased revenue, better business environment etc)
- The private sector needs to be the **driver of change** from within the countries where change needs to take place – the best voice is **domestic** business

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Private sector's expectations

- Transparency
- Simpler border-crossing and administrative procedures and documentation
- Predictable formalities, fees and charges
- Reliable transport operations

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3. Trade Facilitation and the Doha Development Round

- WTO member States agreed:
 - to **launch negotiations** on trade facilitation, aiming at the establishment of an agreement to further **expedite the movement**, release and clearance of goods, including goods in transit by clarifying and improving relevant aspects of GATT Articles V, VIII & X.
 - To ensure technical assistance and support for capacity building.

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Proposals regarding Article V: *Goods in Transit*

Proposals made by WTO Members
(Article V)
M. Matters Relating to Goods Transit

- M.1 Strengthened Non-Discrimination
- M.2 Disciplines on Fees and Charges
- M.3 Disciplines on Transit Formalities and Documentation Requirements
- M.4 Improved Cooperation and Coordination
- M.5 Operationalization and Clarification of Terms

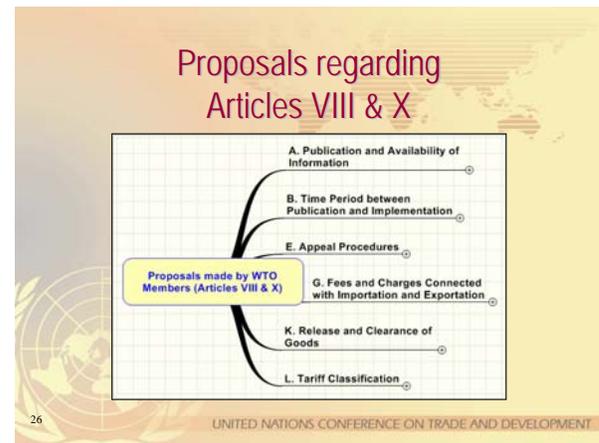
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Proposals regarding Article VIII: *Fees and formalities*

Proposals made by WTO Members (Article VIII)

- A. Publication and Availability of Information
- G. Fees and Charges Connected with Importation and Exportation
- H. Formalities Connected with Importation and Exportation
- I. Consularization
- J. Border Agency Coordination
- K. Release and Clearance of Goods

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In practice, these proposals would likely lead to:

- Adoption of basic international standards;
 - Simplified, standardized documentation (e.g. SAD; UNLK);
 - Agreement on a reduced trade/Customs data set;
- Application of modern Customs techniques;
 - Automated IT-based systems across Customs + Risk Assessment + ..;
 - One stop clearance/release facilities (e.g. Single window);
 - Absolute time limit for Customs release;
 - Cooperation between traders & Customs (e.g. authorized traders);
- Coordinated long-term T.A. to provide sustainable capacity to implement the agreed measures.

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Private sector expectations

- Regarding WTO negotiations on TF
 - Art V
 - Freedom of transit to be guaranteed
 - Non-discrimination of consignments and modes of transport
 - Clear and standardized procedures

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Private sector expectations

- Art VIII
 - Clarification of « reasonable » fees and charges
 - Non-discriminatory and transparent
 - Fixed rather than ad-valorem
 - Simplified clearance and release procedures
 - Authorized traders scheme
 - Single window

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Private sector expectations

- Art X
 - Non-discrimination
 - Right of appeal
 - Publication of laws and regulations
 - Consultation mechanisms on new legislation and regulation

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UNCTAD's contribution to the WTO negotiations process

- **A short-term/immediate** technical assistance to enable negotiators (GVA & Capitals) to "better evaluate the implications" of the negotiated TF rules on their development policies and objectives;
- **Longer-term** technical assistance aimed at enhancing national capabilities to effectively implement the negotiated TF rules, within agreed modalities (e.g. S&DT). This will contribute to support reforms in national policy-making, as well as institutional and infrastructure development.

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4. Technical Assistance and Capacity Building (TA & CB)

- **Scope:**
 - Limited to the 3 Articles?
 - Extended to a wider scope of TF?
- **Time frame:**
 - Limited to the negotiations process?
 - Extended to the implementation of TF programmes?

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Effective implementation of any TF Agenda requires:

- Integration & coordination of trade-related assistance (among donors and among implementing agencies).
- Broadest possible commitment from Government institutions.
- Collective and professional support from the Business community.

Creating institutional changes takes time.

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Trade Facilitation implementation

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Analysis of needs and priorities

Trade context assessment Review of current situation - Analysis of goods supply and distribution chains, transport and trade channels.	→	Priorities established based upon national context.
Obstacles identification Assessment of obstacles and effects; Identification of responsible parties; Cost estimation of remedial actions.	→	Needs according to obstacles found in achieving defined trade facilitation priorities.
Plan and project formulation Institutional arrangements; Design of trade and transport facilitation programmes; Projects formulation.	→	Projects formulated to cater for needs according to established priorities.

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Thank you

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Economic Cooperation

2006/SOM2/CTI/PPDTF/011

Cost Reductions Due to Trade Facilitation Improvements

Submitted by: World Bank



**Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Viet Nam
23-24 May 2006**

Cost reductions due to Trade Facilitation improvements

John Panzer
International Trade Department
The World Bank

APEC Public-Private Dialogue on Trade Facilitation

23 May 2006
Ho Chi Minh City



Outline

- Trade transaction costs – what are they?
- Do high transaction costs make a difference?
- East Asia's performance relative to the world
- What can be done to lower transaction costs (7 key priorities for action based on World Bank experience)?
- Trade Facilitation in the WTO – What can APEC members do to promote an ambitious outcome?



Trade transaction costs – what are they?



- Direct**
 - Official fees and charges (customs, port, banking, insurance, cargo handling, transport etc)
 - Unofficial (bribes to corrupt officials)
- Indirect**
 - Time delays (estimated that every day lost in cargo clearance equals .5% of value of goods)
 - Opportunity costs (business lost or investment not made)
 - 'Hassle' factor associated with preparing and submitting documents and obtaining approvals
 - Maintaining high inventory levels due to delays and uncertainty

Do high transaction costs make a difference?



- Yes, all major studies and business surveys indicate a **positive and significant link between trade facilitation and increased trade flows**
- Even modest reductions in trade transaction costs are shown to have a positive effect on trade
- All countries benefit but **impact most pronounced in developing countries** as costs typically much higher than in OECD countries
- Research suggests trade transaction costs play an important role in investment and sourcing decisions

The world at a glance



	Documents for export (number)	Signatures for export (number)	Time for export (days)	Documents for import (number)	Signatures for import (number)	Time for import (days)
East Asia & Pacific	7.1	7.2	25.8	10.3	9	28.6
Europe & Central Asia	7.7	10.9	31.6	11.7	15	43
Latin America & Caribbean	7.5	8	30.3	10.6	11	37
Middle East & North Africa	7.3	14.5	33.6	10.6	21.3	41.9
OECD	5.3	3.2	12.6	6.9	3.3	14
South Asia	8.1	12.1	33.7	12.8	24	46.5
Sub-Saharan Africa	8.5	18.9	48.6	12.8	29.9	60.5

Source: Doing Business 2006

Days to complete each stage of importing

Region	Pre-arrival documents	Port and terminal handling	Customs and inspections	Inland transport to warehouse	Total time
OECD high income	8	2	2	2	14
East Asia & Pacific	18	3	4	3	28
Latin America & Caribbean	24	4	5	3	36
Middle East & North Africa	25	5	9	4	43
Europe & Central Asia	25	4	7	7	43
South Asia	24	6	7	10	47
Sub-Saharan Africa	33	8	10	9	59
World	23	5	6	5	40

Source: Doing Business 2006

East Asia and Pacific 2nd best but still double OECD ... and ...

Large differences between best and worst



APEC

Country	Documents for export (number)	Signatures for export (number)	Time for export (days)	Documents for import (number)	Signatures for import (number)	Time for import (days)
Best	5	2	6	6	2	8
Worst	6	12	35	9	15	36

EA&P

Country	Documents for export (number)	Signatures for export (number)	Time for export (days)	Documents for import (number)	Signatures for import (number)	Time for import (days)
Best	5	2	6	6	2	8
Worst	12	17	66	16	28	78

Source: Doing Business 2006

Source: Doing Business 2006

What can be done to lower trade transaction costs? 7 key priorities based on Bank experience ...



- Automation
 - ◆ Reduces compliance costs
 - ◆ Reduces face to face contact between officials and traders and discretionary powers
 - ◆ Reduces processing time

Automation makes a difference

	All docs electronic	Some e-docs	No e-docs
Days	12	30	41
Docs	5	8	9
Signatures	3	10	14

Source: Doing Business 2006

What can be done to lower trade transaction costs?

- Harmonization of systems, procedures and documentation in line with international standards
 - ◆ HS Convention
 - ◆ WTO Valuation Agreement
 - ◆ UNECE recommendations and standards
 - ◆ Revised Kyoto Convention on the Harmonization and simplification of Customs Procedures
- Measurement of performance
 - ◆ Time release studies provide base line data and identify problem areas



What can be done to lower trade transaction costs?

- Transparency
 - ◆ Publication of rules, regulations & practical information for traders
 - ◆ Advanced rulings systems provide certainty
 - ◆ Appeal mechanisms curb inappropriate use of discretionary power
- Cooperation and partnership with the private sector
 - ◆ Incentives for compliance (Authorized trader regimes)
 - ◆ Partnership in the fight against corruption
 - ◆ National trade facilitation committees



What can be done to lower trade transaction costs?



- Risk Management
 - ◆ Focus effort on high risk imports and exports and facilitate low risk ones

Region	% of cargo inspected at import
OECD	5
East Europe	18
East Asia	31
Latin America	51
Middle East	63
Africa	67
South Asia	69

Source: Doing Business 2006

What can be done to lower trade transaction costs?



- Human Resource Management
 - ◆ Merit based recruitment and selection
 - ◆ Merit based promotion
 - ◆ Professional development and training
 - ◆ Performance management/appraisal
 - ◆ Integrity as a key criteria for promotion

The good news ...



- APEC Sub Committee on Customs Procedures has included almost all of the Bank's key reform priorities in its Collective Action Plan – significant progress has been made on all CAP items
- WTO Trade Facilitation negotiations also focusing on many of the same issues ... but ...
- While negotiators from developing and least developed countries acknowledge the benefits of trade facilitation, **they remain concerned about implementation difficulties and costs**

APEC Members can ...



- **Share national and regional experience** on the implementation of key reforms
- Provide balanced advice on both the costs and **benefits** that have been derived from implementing these measures
- **Mobilize private sector interests** in WTO member countries to be strong advocates for an ambitious outcome

For more information ...



www.worldbank.org
www.gfptt.org
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Customs Modernization
Handbook
(World Bank 2005)



Asia-Pacific
Economic Cooperation

2006/SOM2/CTI/PPDTF/012

Business Perspective on Trade Facilitation

Submitted by: FedEx



**Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Viet Nam
23-24 May 2006**

Business Perspective on Trade Facilitation

Thank you for inviting me to participate on this panel today to discuss the private sector's view on trade facilitation.

FedEx Express

FedEx Express which provides express delivery services throughout the world in over 220 countries and territories is keenly interested and engaged in global trade issues. We have been proactive at the WTO in Geneva, in the APEC Business Advisory Council, and in the various bilateral and regional free trade agreements that the U.S. has undertaken.

Not only are we interested in what you may think would be aviation issues, but critical to our business includes customs procedures, security measures at the borders, trade in services, and many other transnational matters. FedEx processes on average over 3.2 million shipments a day in our global network.

As you can imagine, such magnitude of shipments in our global business means that trade facilitation is one of the most paramount issues where good policy and international trade law would tremendously help not only our business, but also from our vantage point, the global economy.

Trade Facilitation in General

The importance of trade as a tool for economic development stands uncontested in economic theory. Trade currently represents over 30 percent of the world GDP and is estimated to grow to 50 percent by 2020. The importance of efficiency in trade is especially important for smaller and more trade dependent countries.

The facilitation of trade procedures is seen by all major international organizations as vital for economic development, not least for developing countries. Trade procedures are in fact perceived to be a future bottleneck.

The World Bank regards trade facilitation as an essential component for overall success in economic growth and development and the UN estimate the potential savings from trade facilitation to be of some US\$490billion.

Based on an ABAC study, there are in normal trade transactions potentially 27-30 different parties involved, handling approximately 40 documents, 200 data elements of which 60 to 70 percent are rekeyed at least once.

There are several definitions of trade facilitation, all relatively similar. It is essentially the simplification of procedural and administrative impediments to trade or about ensuring the smooth flow of products across national borders.

The magnitude of the possible gains as I mentioned has led to the issue of trade facilitation being included in the WTO Doha Round

WTO Doha Trade Facilitation

Despite all that is being said about the Doha Round, the fact of the matter is that the trade facilitation negotiations under the Doha Round are going well. Many WTO members have proposed specific provisions of the final WTO trade facilitation agreement and they will soon begin negotiations on the text of the agreement.

Trade facilitation provisions contained in the GATT 1947 (Articles V, VIII, X) have not been updated since the 1940s. As you can imagine, trade in the 1940s and in 2006 are quite different. Furthermore, despite good effort by such organizations as the WCO and its Revised Kyoto Convention or the WCO Framework which are good compendia of best practices related to border management practice, the problem is that they are only recommendations and they cannot be enforced.

A WTO agreement would be different. But as you know, the Doha Round is in a precarious state and it is uncertain as to its fate.

Despite the WTO, APEC has really made significant process in trade facilitation.

In response to the Shanghai Accord, an APEC study in 2001 noted that if all the APEC economies will enhance trade facilitation by reducing trade costs by 5 percent in five years from 2002, APEC's GDP will increase by 0.98 percent (US\$154 billion). The study showed that trade facilitation results in more gains to the APEC economy than market liberalization.

APEC/Busan Business Agenda

APEC's efforts on trade facilitation is in many ways a model for many other regional fora. In the Shanghai Accord, Leaders laid down the objective of realizing " a significant reduction in transaction costs by endeavouring to reduce them by 5% across the APEC region" by the end of 2006. In 2005, Leaders, in response to new challenges that emerged from the evolving international trade environment and for reaching the Bogor Goals by the cleared timelines, endorsed the Busan Roadmap, which includes a further reduction in trade transaction costs by five percent by 2010.

The Busan Business Agenda was formulated in response to ABAC's recommendation to accelerate APEC's work on trade and investment facilitation and address "behind the border" impediments to trade and improved competitiveness.

PRACTICAL IMPLICATIONS

What does all this mean to businesses?

For instance, in Peru, the cargo release time has, after the 5 year reform of the Peruvian Customs, been reduced from an average of 30 days to a maximum of 24 hours for green channel cargo (one or two days for goods chosen for inspection), while at the same time quadrupling the revenue collection.

At 12 percent interest and with the value of the Peruvian import in year 2000, this would roughly have constituted a maximum gain to involved companies approximately US\$71.9million.

Another study in Sweden showed that as a result of faster Customs procedures, an express delivery company in Sweden was able to utilize all its transport vehicles one extra hour a day, resulting in an hour of extra revenue. An hour of extra revenue roughly increased overall profits by 5-10 percent.

RECOMMENDED NEXT STEPS

Business has a vital role to play in the improvement of the border management process. Economic development through trade facilitation will not happen unless business is fully committed to and champion the cause. Governments require guidance from business as to the benefit of efficient border management. Without some quantification of the benefits of trade facilitation, governments will have a hard task to commit resources to further this commitment, even if it were well supported by technical assistance and capacity building funds. To this end, the 2005 ABAC/APEC Customs and Trade Facilitation Handbook is instrumental in recording average cargo clearance times as of 2005 which in turn can be used as a baseline for improvements according to the Busan Business Agenda.

To compete effectively, businesses require low cost and predictability in the trading process. It is the business imperative to trade competitively that should be the engine of economic reform. Government and business must work closely together to harness the benefits of trade facilitation.

Trust between border authorities and international traders is a vital component in the development of efficient border management. This trust should be earned through a good compliance record over a number of years. Businesses committed to trading internationally, in the long terms have similar ambitions to those of the border authority. They want to comply fully with the legal requirements covering their trade. They cannot afford to be faced with unexpected costs resulting from non-compliance and they cannot afford to be associated with any breach in security because of their failure to implement adequate safeguards. In view of this, partnership built on trust between border agencies and business has to be the right way forward.

The impact of security measures on international trade especially from developing countries to developed countries is of major concern. It is potentially the biggest threat to the facilitation of trade and development that we face at present. Having said that, the discipline and modernization required to improve security might also be very beneficial. The process of progressively improving the border management process could improve security if it is balanced with commercial reality.

More frankly, what do businesses see as the biggest challenges to achieving the goal of reducing trans-border transactional cost, particularly in the APEC region?

From our experience as a global express delivery company, we see these five main challenges or needs in the APEC region:

- 1) Sing window electronic data interchange – it is necessary to implement a paperless declaration process in a single window environment to reduce operating costs and minimize clearance times. The data required should also be harmonized and streamlined (perhaps using such models as the WCO Customs data model).
- 2) Expedited clearance – customs agencies should enable brokers and traders to pre-submit shipment information before shipment arrival and issue shipment release when specific conditions are met. Most goods should be pre-cleared before arrival.
- 3) Risk management based inspections – to maximize operation efficiency and reduce resource usage, regulatory agencies should adopt appropriate risk management based inspections.
- 4) *De Minimis* Value Thresholds – customs administration should institute *de minimis* value that will reduce all parties' transaction costs. The cost of collecting marginal duty and tax often outweigh the revenue collected.
- 5) Customs working hours – modern trade moves 24/7 around the globe, so customs clearance must be available at all times to speak trade and increase economic efficiency.

Interestingly enough, these points are included in the APEC Trade Facilitation Action Plan.

Capacity Building/Private-Public Cooperation

Businesses understand that in order for governments to reform and institute changes at the border, resources are needed. The private sector is certainly committed to assist in capacity building through cooperation and partnership with governments.

For instance, FedEx and many other companies worked together with Chinese Customs and US government agencies to establish a model port project in Shanghai to clear express shipments and to protect intellectual property rights at the border. Private businesses and government agencies worked with the Thai government to enhance security while facilitating trade between Thailand and the United States. Furthermore, this year, the private sector and the US and Vietnamese governments are working together to establish an electronic manifest system for express shipments.

It is through such partnerships and collaboration during reforms that make the goals of the Shanghai Accord or the Busan Business Agenda within the APEC context work and which ultimately will allow the WTO trade facilitation goals to succeed.

CONCLUSION

From the private sector's view trade facilitation, is a practical and immensely beneficial agenda to enhance global trade and economic development. How it is achieved is not as critical as whether it will be achieved. Although a global discipline through the WTO would be ideal, or alternatively disciplines under Free Trade Agreements are worthwhile, the APEC forum shows that even voluntary measures that may not be enforceable as a WTO agreement can have tremendous benefits to business and to economic development. Nevertheless as government venture into the realm of trade facilitation measures, it is critical that businesses are seen as partners and collaborators in the process and must sit at the table with government agencies to synergize both sides' resources and perspectives.



Asia-Pacific
Economic Cooperation

2006/SOM2/CTI/PPDTF/013

Report on the Work of SCCP

Submitted by: Viet Nam



**Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Viet Nam
23-24 May 2006**

APEC Public-Private Dialogue on Trade Facilitation
23-24 May 2006

Report on the work of the Sub-Committee on Customs Procedures (SCCP)

Introduction

Customs administrations have an important role in facilitating trade while also fulfilling legitimate enforcement and revenue collection responsibilities. While there are a number of influences on the flow of trade, the visibility of customs often means that it is considered that the greatest improvements in trade facilitation can be made by improving customs procedures.

The Sub-Committee on Customs Procedures (SCCP) was established by APEC in 1994. It consists of representatives of the customs administrations of each of the 21 APEC economies.

The SCCP meets twice a year in the margins of the first and third Senior Officials Meetings (SOM) and reports to the Committee on Trade and Investment. It holds the APEC Customs-Business Dialogue, the SCCP's formal consultative mechanism with industry, and publishes the Blueprint of the APEC Sub-Committee on Customs Procedures annually.

The SCCP aims to simplify and harmonise regional customs procedures to ensure that goods and services move efficiently, effectively and safely through the region. It operates under the Guiding Principles of **F**acilitation, **A**ccountability, **C**onsistency, **T**ransparency and **S**implification, known as FACTS.

Work program

The SCCP has a multi-year work plan, consisting of Collective Action Plan (CAP) and non-CAP items, to support implementation of the SCCP's mandate. The work plan is a living document. New work items are discussed and added as new priorities are identified.

Collective Action Plan items

The SCCP is currently working towards the implementation of 16 CAP items to support improved trade facilitation in the region. These CAP items support the APEC Trade Facilitation Action Plan and implementation of the APEC Trade Facilitation Menu of Actions and Measures. The SCCP's CAP items cover:

- Harmonisation of tariff structure with the HS Convention
- Public availability of information
- Simplification and harmonisation of procedures on the basis of the revised Kyoto Convention
- Adoption and support of UN/EDIFACT (paperless trading)
- Adoption of the principles of the WTO Valuation agreement
- Adoption of the principles of the WTO Intellectual Property Rights (TRIPS) Agreement
- Introduction of Clear Appeals Provisions
- Introduction of Advance Classification Ruling System
- Provisions for Temporary Importation
- Harmonised APEC data elements
- Risk management techniques
- Guidelines on express consignments clearance
- Integrity
- Customs-business partnership
- Time-release surveys; and
- Implementation of the APEC Framework of Standards to Secure and Facilitate Global Trade (based on the WCO Framework)

Progress in implementing the SCCP's CAP items is at varying levels. This reflects the length of time CAP items have been in place and the different levels of development, priority and capacity among SCCP members. Currently five (5) CAP items have been implemented as far as possible given the individual circumstances of each economy. SCCP members continue to progress implementation of the other CAP items.

An example:

The Risk Management Techniques CAP item was established by the SCCP in 1997. It is designed to support the implementation of sound risk management practices in order to facilitate legitimate trade and travel while maintaining effective customs control.

Between 1997 and 2003 the SCCP provided a six (6) phase assistance program to support implementation of the CAP involving expert study missions to assist SCCP members with risk management implementation and train-the-trainer workshops.

SCCP members continue to incorporate risk management techniques into their processes and procedures. In February 2006:

- 19 economies indicated they were using risk management methodology to identify high-risk and low-risk shipments and one (1) economy indicated partial usage;
- 18 economies had established an infrastructure to manage risk;
- 16 economies had adopted a system to analyse risk; and
- 15 economies had established a risk management training system.

Non-Collective Action Plan items

In addition to the SCCP's extensive CAP program, the SCCP has implemented a number of non-CAP initiatives to facilitate trade including:

Revised Kyoto Convention Pathfinder – a program supporting the understanding and implementation of the principles of the revised International Convention on the Simplification and Harmonization of Customs Procedures, known as the revised Kyoto Convention which is considered a model for modern customs administration.

APEC Tariff Database – a publicly available database containing the tariff schedule of each of the APEC economies accessed through the APEC Secretariat website.

ABAC customs handbook – a joint initiative of the APEC Business Advisory Council (ABAC) and the SCCP in 2005 that provides information to traders on the services and facilities offered by each APEC Customs administration, relevant contact details and service standards.

Assistance to implement WTO agreements. – a training program to assist APEC customs administrations to implement relevant WTO agreements to ensure consistency and predictability within the region.

Shanghai Goal

To highlight the work that has been undertaken by customs administrations in the region to implement the SCCP's CAP items and to contribute to reaching the Shanghai Goal, the SCCP has collated practical examples of initiatives undertaken by APEC customs administrations to improve trade facilitation. The SCCP tabled a Shanghai Goal Mid-term Report containing these examples, to the Committee on Trade and Investment in 2004. It is currently preparing an updated final report to be tabled in the Committee on Trade and Investment during SOM 3 later this year.

The following is a sample of the work undertaken by individual SCCP members to improve trade facilitation in the region and achieve the Shanghai Goal:

Vietnam

Vietnam Customs is currently undertaking a major modernisation project to reform its customs procedures and practices. One of the key elements underpinning the project was the introduction in 2002 of the new Customs Law which provides a new legal basis for Vietnam Customs operations and includes:

- Clarification of rights and obligations of the customs officers and the goods owner;

- Application of risk management techniques;
- Reduction in the number of documents to be presented for customs clearance;
- Reduction in the number of customs officers involved in the clearance process;
- Reduction in the ratio of in-clearance physical inspection by introduction of post clearance audit;
- Change in the organisation structure;
- Further empowerment of sub-department in customs clearance process;
- Introduction of IT in the customs clearance process; and
- Enhancement of appeal settlement.

China

China Customs has implemented the Faster Clearance Project which offers:

- simplified clearance procedures for goods transiting through different customs districts by offering “one-stop declaration, one-stop inspection and one-stop release”;
- submission of pre-arrival declarations for imports and exports;
- enhanced use of risk management through use of electronic data exchange, Universal Product Code documents and electronic vehicle plate, and automated equipment such as the Container Scanning Inspection System, Global Positioning System, electronic weighting scale, electronic strobe and camera monitor;
- priority classification and evaluation systems; and
- 24 hour clearing systems.

Since 2001 China Customs has operated a “Green Channel” to facilitate the exports of large-scale and high-tech enterprises which includes pre-arrival and on-line declaration, fast transit procedure, checking and release at the premises of exporters, urgent clearance, release with deposit and prioritised consultation.

Paperless clearance procedures have been introduced to most Customs districts of China Customs since February 2001. A study of Qingdao Customs District indicates a 10% reduction in the time taken to clear goods since the introduction of paperless clearance procedures.

China Customs has also:

- introduced automated systems including “E-Customs”, “E-port” and E-General Administration”;
- undertaken measures to improve transparency such as publicising customs procedures and time limits, establishing enquiry telephone lines; and
- established over 500 memorandum of understanding with business to improve cooperation.

Indonesia

Since 2002 Indonesian Customs has used an EDI System for Exports enabling exporters to submit their export declaration electronically to Customs from their office.

In January 2003 Indonesian Customs introduced a priority channel to facilitate the trade of very low risk importers which includes:

- No examination of goods or documentation (except in cases where intelligence indicates a high risk)
- Periodic payment of duties and taxes.
- Release of goods from the means of transport to an importer’s warehouse.
- Physical examination of goods (if required) in the importer’s warehouse.
- Pre-arrival submission of the customs declaration.

Advance rulings on Valuation have been available to traders, on request, since September 2003 from Indonesian Customs.

Indonesian Customs has also implemented an online payment system, utilises non-intrusive inspection equipment such as Container X-rays to examine containers, and applies risk management techniques to identify high-risk shipments.

Japan

Japan Customs has introduced a number of initiatives that have led to the reduction in the average time from port entry to permit issuance for all cargoes from 168.2 hours (7 days) in 1991 to 67.1 (2.8 days) in 2004.

Since 2003 Japan Customs has made the following improvements to its paperless trading and computerised processes:

- Making the Nippon Automated Cargo Clearance System, known as NACCS, available via Internet connection since March 2003 to improve user convenience;
- Introducing the Customs Procedure Entry System to cover all customs procedures not applicable to NACCS including enabling the submission of invoices to Customs electronically.
- Introducing the Multi-Payment Network which enables users to pay taxes and duties through channels such as Internet or telephone banking and ATMs and connecting it with NACCS.
- Upgrading and improving the previous one-shop service to a "Single Window" system enabling users to complete all necessary import/export or port-related procedures with a single input and single transmission.
- Adopting declaration procedures utilising the WCO Customs data model initially for maritime export cargo to Canada declared through NACCS.

In addition Japan Customs has introduced a number of other trade and passenger facilitation measures including:

- introducing and improving simplified customs clearance procedures;
- introducing 16 large-scale container X-rays since 2001 which has reduced container inspection times from two hours to between 10-20 minutes on average;
- offering advance rulings for tariff classification, valuation, tariff rates and origin of goods;
- staffing designated customs houses for pre-determined periods outside of regular office hours;
- reducing the overtime service fee
- amending its Customs law to make it mandatory to report cargo information in advance of entry into port;
- introducing the Advance Information System

Mexico

Mexico has introduced the Gamma Rays System, non-intrusive inspection equipment, to inspect goods being transported by rail or road.

Mexico and the United States have also agreed the Exprés: Certified Enterprises – FAST: Free and Secure Trade initiative involving harmonising, to the extent possible, the processes for clearance of commercial shipments at the Mexico-United States border.

Conclusion

The work of the SCCP and its members to implement CAP and non-CAP items, and improve trade facilitation is on-going. The SCCP continues to endeavour to find ways to simplify the procedures and practices of regional customs administrations

The examples provided give an indication of the considerable work being undertaken by customs administrations to improve trade facilitation and help APEC achieve the Shanghai Goal. Further information on these initiatives and the initiatives of other APEC customs administrations will be available in the SCCP's Shanghai Goal Final Report which will be provided to the Committee on Trade and Investment during SOM 3.



Asia-Pacific
Economic Cooperation

2006/SOM2/CTI/PPDTF/014

Standard and Conformance from a Private Sector Perspective

Submitted by: New Zealand



**Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Viet Nam
23-24 May 2006**

Standards and Conformance from a Private Sector Perspective
by
D. R. Johns
(*Electrical Consultancy Services – Christchurch New Zealand*)

1. Introduction

This paper looks at the Standards and Conformance issue from the electrical appliance industry perspective. However, it is submitted that the principles and opinions expressed are generally applicable in varying degrees to the supply of goods and services in general.

The regulatory environment applied to goods and services varies from country to country, with suppliers usually have to contend with either a performance based regulatory environment (i.e. one in which regulatory action is only taken after breach of regulations) or a pre-market intervention regulatory environment (i.e. one in which a proof of regulatory compliance before sale is required). In both cases, standards are vital for business to manage the risk associated with delivery of their products or services to the market. For example, value of international trade in electrical appliances is measured in billions of US\$. consequently, for the appliance industry, standards are vital for the industry to manage the risk associated with electricity and appliances in order to deliver safe appliances to the marketplace thereby ensuring the safety of consumers.

In regulatory regimes where compliance with a standard is not mandatory, standard compliance is given the status of an “acceptable solution” to the regulatory requirements. This implies that there are other solutions to the regulatory requirements other than standards compliance. This approach can be less inhibitive to new technologies and developments but it places more responsibility on the manufacturer to get the design “correct” because the solution is developed in isolation from the expertise that is present in standards forums. Conversely this approach can be much more difficult to enforce as it is necessary to prove non-compliance with the regulations by means other than via than non-compliance with a standard.

2. Regional and Global Relevance

Standardisation is a key factor in support of a number of Government policies, including competitiveness, innovation, and reduction of trade barriers, fair trading, protection of consumer interests, environmental protection and public procurement;

Standardisation is increasingly important for the regionalisation and globalisation of commerce and the convergence of technologies and also for international trade, in particular through the World Trade Organisation’s Technical Barriers to Trade (WTO TBT) Agreement.

As a result standards are able, when used in conjunction with legislation, to promote better regulation. It is increasingly critical to have standards in place in a timely manner because product life cycles are becoming shorter and the pace of technological development is accelerating. Society is demanding ever higher levels of safety, performance, reliability and sustainability.

Intense global competition and rapid rates of innovation have led to ever-shorter product life cycles. This raises two questions:

1. whether there is any longer a purpose in having purely national standards and in committing resources to a national standards effort or
2. whether there is the option of a free ride on the standardisation efforts of other countries.

It is likely that different national governments will try to ensure that the rules of the trading game are defined so that they reflect national interests. In such a situation, free riding is not an option. Suppose that a country is not represented in the international standards forum, but leaves the development of standards to representatives of a small number of other countries. Then it can expect that the resultant standards will be designed to maximise the competitive advantage of those involved over those who are not involved. One must not ignore the competitive disadvantage that can follow if a country is obliged to play by rules defined purely in the interest of a few other countries.¹

This means that national stakeholders affected by standards should not consider “the cost of participating in the international standards process”, they should instead consider the cost of “not participating in the international standards process”.

3. The APEC EEMRA

The Mutual Recognition Arrangement on Conformity Assessment of Electrical and Electronic Equipment details a methodology that in theory at least, lays down a very good foundation to facilitate trade. What is important to the EEE industry in achieving the goal of “One standard – one test” is how the EEMRA is implemented in practice.

Some important trade facilitation aspects that are not covered by MRAs are

- MRAs generally only apply Government to Government and hence in effect only to Federal Government bodies, this is a major problem where countries have state systems of regulation in place of a federal system;
- In some countries regulations apply only to the connection or use of the equipment they do not apply to selling the equipment. MRAs do not cover connection or use;
- In some countries market recognition of private sector certification marks means that retailers will not stock a product unless it carries the “legally non-mandatory” private sector certification mark.

APEC clearly appreciates that standards are an issue and that improving cooperation in this area has the potential to facilitate trade. The TFAP (trade facilitation action plan) represents a step in this direction. However priority consideration must also be given to those identified aspects that are not included in the MRAs.

At an APEC seminar held last year on trade in electronic products industry speakers identified issues such as duplicative testing and certification procedures and lack of mutual recognition as impeding trade. “One standard – one test” was seen as the desirable goal, and that mandatory regulations should be performance-based, technologically neutral and technically sound.

Discussion of some aspects of compliance issues that are important to the EEE industry follows.

4. Regulatory requirements

The information exchange provisions of Part I of the EEMRA have the potential to provide an important resource that will help manufacturers to make design decisions that are influenced by mandatory regulatory requirements during development of new products and modification to existing designs.

¹ THE ECONOMICS OF STANDARDIZATION Final Report for Standards and Technical Regulations Directorate Department of Trade and Industry G M Peter Swann Manchester Business School University of Manchester

Electrical and Electronic equipment such as household appliances can be subject to regulations covering safety (electrical, gas, acoustic noise and non-ionizing radiation) electromagnetic compatibility (emissions and immunity), energy efficiency, potable water protection and environmental protection. Not all countries have regulations covering all of these aspects, but an exporting manufacturer must be prepared to design to meet all of these requirements if it wants one product for all markets.

All APEC members should participate in Part I of the EEMRA as a means of providing industry with the details of various regulatory requirements that apply in member countries.

5. Assessment of Compliance

This is covered by Part II of the EEMRA.

Manufacturers generally prefer to have their products assessed against the relevant standards by a third party test laboratory. In some cases this is a requirement of the regulatory environment in the Country where the product is to be sold. But in all cases it gives them confidence of compliance since, as in all third party assessments, the design is subject to a review by experts that have not been associated with the design.

A Manufacturer's own test facility can be considered as a third party test laboratory provided it is demonstrated that its management reporting procedures cannot be adversely influenced by the manufacturing or trading arms of the Company.

Third party assessments come at some cost to manufacturers – sometimes the cost is not insignificant, particularly if production runs are small. It is therefore important that laboratory accreditation procedures are robust enough to ensure that accredited laboratories have in place the necessary experience, equipment and quality procedures to carry out incontestable assessments. The last thing a manufacturer wants is to pay for a successful assessment in one country only to have its validity questioned when it exports to another country. The APLAC MRA plays an important role in allowing manufacturers to confidently select a test laboratory that can carry out incontestable assessments. The IECEE CB scheme can also be of some help in sourcing universally acceptable test reports, however in areas other than safety its coverage is limited.

Diverging conformity assessment procedures gradually become the reason for barriers to trade.

6. Certification

This is covered by Part III of the EEMRA.

Following a successful assessment by a suitably accredited test laboratory most countries to one degree or another require the product to undergo a certification or approval procedure. It is this procedure that is not harmonized throughout the APEC region and because of this the playing field is not level.

Exporters from countries with less stringent certification or approval procedures are at a considerable disadvantage to exporters from countries with more stringent procedures.

Although it is true that both the exporter and local manufacturer are subject to the same certification or approval procedure, the disadvantage comes when the certification or approval can only be carried out by an agency in the importing country. This can lead to high costs for the exporter particularly in the case where a factory inspection is required as part of the certification or where sample testing at the manufacturer's cost is carried out as part of ongoing market surveillance and there is no arrangement at the regulatory level for such inspections or tests to be carried out by accredited bodies in the exporting country.

Implementation of and increased participation in Part III of the EEMRA is a vital tool for progressing the trade facilitation goals of APEC. Industry wants to see harmonization of the certification requirements within APEC. It is therefore important that there be more regulator to regulator discussions to accelerate this harmonization.

Diverging certification or approval procedures are a major reason for ongoing barriers to trade.

A level playing field can be created by more recognition of the Supplier Declaration of Conformance (SDoC) for certification and approval purposes, this is strongly supported by manufacturers.

7. Standards

International Standards try to ensure that products manufactured in one country can be sold and used in another. Their use reduces technical barriers to international trade, increases the size of potential markets and positions manufacturers to compete effectively in the world economy. For these reasons manufacturers support the adoption of international standards as national standards so as to achieve the goal of "one standard, one test, accepted everywhere".

The aim of standards writing committees should be to produce and maintain international standards in a manner that is timely, efficient and which keeps pace with modern technology. The standards must be produced to fulfil the needs of the stakeholders in the process such as certification bodies, consumers, manufacturers, national regulatory authorities and national standardization bodies. This implies that they must be written so as to reduce the need for national differences. It is the national representatives of groups such as certification bodies, consumers, manufacturers, national regulatory authorities and national standardization bodies that make up the entity that is an international standards committee.

Standards must never lead technology by trying to standardize things that are not yet in the market. Instead, they must be dynamic and they need to be regularly revised to take account of changes in technology and changes in markets.

If a country is going to be in a position to adopt international standards, it needs to have a say in the content of those standards, to ensure that they reflect not just the climatic conditions and geographical structure of the adopting country but also the business needs, technical capacity and regulatory environment in the adopting country.

IEC provides an excellent model for adopting international standards covering electrical aspects such as safety and EMC. However, for areas such as those covering gas, plumbing, potable water, energy efficiency and environmental protection there are no international standards. PASC should investigate providing an "APEC model" based on the IEC model to develop regional standards in these areas. Annex A gives details of the IEC model and some suggestions for change.

8. Working methods

The motivation for private sector participants in the work of international standards committees is that

- they want to ensure the standard covers new designs thus allowing them to secure the right to sell the product unimpeded.
- they are contributing to the formulation and maintenance of their national standards,
- they are contributing to the reduction of technical barriers to trade by seeking internationally acceptable and prudent solutions to problems (meaning that the solutions reached contain a range of actions that

- are sensible to take at modest cost and without undue inconvenience, and
 - have regard to the current state of engineering and scientific uncertainty
- so as to avoid the possible risks that are regulated, for example, safety);
- they are contributing to their own professional development by working with peers and colleagues in the standards process.

All of this implies the necessity to recognize other countries points of view and to actively work to reduce the need for national differences to the international standard. Reducing the need for national differences can be achieved by

- contributing to discussions within a national committee forum in order to present a balanced view as a national position. This must be one that is not dominated by any one sector group (conformity assessment body, manufacturer, consumer or government regulator);
- understanding the basic philosophy of the international standard and not taking individual requirements in isolation from the rest of the standard;
- gaining experience by using the international standard during design reviews of existing production and development of new products.

A country can always submit comments as a contribution to the standards development process, but the real decisions are made at the international meetings.

It is recognized that there is a cost in attending international meetings. To reduce the cost of participation for delegates, the committee that I chair, (IEC/TC 61) currently meets twice per year, each meeting lasting five days with the meeting venues having a wide geographical spread. This allows national committees to brief one or two delegates on issues relating to a number of product standards (TC 61 and its subcommittees are responsible for over 100 standards relating to electric toys, electric power tools and electrical household and commercial appliances). Manufacturers may be interested in only one or two product standards but the other stakeholders (conformity assessment bodies, consumers and government safety officials) are interested in all of the standards covered.

9. Types of International Standard Adoption

A national standard can be given the following classification according to its relationship to the international standard:

IDT means that the national standard contains no technical differences from the international standard adopted and is therefore an identical adoption.

MOD means that the national standard contains some technical differences (that are clearly marked and explained) from the international standard adopted and is therefore a modified adoption.

NEQ means that the national standard is not equivalent to the international standard and is technically and editorially different even if based on the international standard.

While manufacturers would prefer to always see an IDT adoption, they do recognize that sometimes this is not possible. Some reasons for national differences of a permanent nature to an international standard generally relate to a country's infrastructure such as electricity supply (mains voltage, frequency, protective earthing systems) or geographical factors such as national languages, climate or altitude.

When replacing a home-grown national standard with an international adoption it is important to manufacturers that there be an adequate lead-in time before the new standard takes effect. This allows manufacturers time to modify their designs and to get them assessed if necessary. Typically for changes to standards that require products to be redesigned and

reassessed, it is normal to allow a lead-in time of 2 – 3 years. The same arguments apply when adopting amendments to international standards as amendments to national standards.

10. Facilitating effective participation in the International Standards Process

APEC can play an important role in coordinating and improving the quality of the input to the international standards process of member countries. This may best be achieved by setting some goals for PASC that will allow them to come up with a more robust process for ensuring coordination and an improvement in the quality of the input.

The goals should include organization of APEC/PASC regional forums or workshops to allow stakeholders to better understand the processes needed for a successful outcome in international standards development. Use of the expertise that already exists in the APEC region should be made in these forums. Attendance would also prove invaluable in obtaining experience in advocating a local or regional position that can be taken into the International forum.

11. Conclusions

- **Accreditation**

We need good laboratory accreditation procedures in place that

- reduce the probability of incorrect test results occurring;
- reduce the probability of test results being challenged by Certification bodies;
- provide protection for manufacturers from unjustified regulatory challenges.

- **Certification**

A more harmonized certification and approval procedure across the APEC region is needed. This may need more regulator to regulator dialogue to achieve confidence that certification and approval procedures are carried out correctly

- **Standards participation**

In the electrical and electronic equipment field, participation in the work of appropriate IEC technical committees should be a priority for all member countries for the following reasons:

- to ensure local conditions are taken into account during standards development process
- to ensure suitable products are available for the local market;
- to recognise that regulatory compliance issues are generally not country specific
- to solve problems proactively by drawing on international experience
- to ensure that when an IEC standard is adopted as a national standard it is done so with little or no deviation
 - to help local manufacturers to manage the risks associated with the delivery of products to the market
 - to help local manufacturers to produce one product for all markets;
 - to achieve a level playing field with our trading partners;
 - to conform to the WTO TBT agreement.

- **Training**

We should organize regional workshops (via PASC) with the aim of up-skilling stakeholder input in international standards development. With globalization of business and the optimization of products, international standardization will continue to grow in importance and we need to make sure that the APEC region is a significant player in the process.

- **Further standards development**

We need to start an APEC forum to develop acceptable regional standards covering aspects other than electrical safety and EMC that can be applicable to electrical equipment, such as those covering gas, plumbing, potable water, energy efficiency and environmental protection. This will give a Supplier Declaration of Compliance even more relevance. APEC should prioritise standards work relating to issues affecting the top 10 most commonly trade products.

- **Scope of MRA**

In addition to importation and sale of electrical and electronic equipment, we need to include aspects of use and connection into MRAs. Only then will a Supplier Declaration of Compliance have real meaning.

We need to encourage more countries to sign up to all parts of the EEMRA

ANNEX A

IEC Model for International Standard Preparation

The methodology for the preparation of an international standard is governed by the rules and directives of the international standards organization concerned. The general procedure followed by the IEC is described below but for greater detail it is necessary to refer directly to the rules and directives of the IEC.

All of the pre-standard documents produced by an IEC technical committee are available for downloading by IEC member countries from the technical committee page on the IEC web site. Go to <http://www.iec.ch/sea1112.htm> and follow the instructions.

A.1 A New Standard

The procedure for preparing a new international standard is as follows:

1. A New work proposal by a country is circulated as a document with a designation NP. This document usually has a draft attached (the draft may be the national standard of the country submitting the NP). If sufficient countries approve the NP and are prepared to participate in its development (thereby proving its global relevance) then a project number is allocated and the draft can proceed to the next stage.
2. After approval of the NP, a committee draft for comments is circulated as a document with a designation CD. The comments made on this document are discussed at a meeting and if sufficient consensus cannot be reached then a second CD will be prepared. After sufficient consensus is reached the draft can proceed to the next stage.
3. After reaching an appropriate level of acceptance a committee draft for vote is circulated as a document with a designation CDV. At this stage countries vote on the acceptability of the draft for publication as an international standard (document designation IS), they may also submit comments (technical and editorial) for changes to the draft and may also abstain from voting. The comments made on this document may be discussed at a meeting. If sufficient consensus cannot be reached according to the voting rules then a second CDV will be prepared. After sufficient consensus is reached the draft can proceed to the next stage.
4. If there were no negative votes on the CDV the draft can proceed directly to stage IS provided no technical changes are made to it. If there were negative votes on the CDV but not enough to require circulation of a second CDV a final draft international standard for vote is circulated as a document with a designation FDIS. At this stage countries are expected to vote yes or no for publication of the draft as an IS (they may also abstain). If a country votes no it must give technical reasons for its no vote. If sufficient consensus cannot be reached according to the voting rules then the draft is returned to the CDV stage. If sufficient consensus is reached the draft can proceed to stage IS. In addition to a positive it is also acceptable to make editorial and technical comments at stage FDIS but no technical changes are allowed between stages FDIS and IS.

A.2 An Amendment to an Existing Standard

The procedure for preparing an amendment to an international standard follows a similar process to that for preparing a new international standard except for step 1, this step is modified as follows:

1. A change to the IS proposed by a country is circulated as a draft for comment with a document designation of DC. The comments made on this document are discussed at a meeting and if sufficient consensus cannot be reached then the proposal to change the standard will be dropped. If sufficient consensus is reached the DC can proceed to the next stage.
2. A maintenance cycle report for proposing a change to the standard is circulated with a document designation of MCR. This document contains the project plan for the change

including time frames consistent with the rules and directives of the organization concerned. If no country objects to the MCR including the project plan then a project number is issued and the proposal can proceed to stage CD or CDV as agreed during discussion of the DC

3 Subsequent stages then follow stages 2, 3 and 4 for preparing a new international standard as described in 7.1 above.

A.3 A Private Sector Perspective on the Procedures

Taking into account the time frames allowed by the rules and directives of the IEC, the above steps can take a minimum of 17 months to complete after issue of a project number. This does not allow for time needed to arrange a meeting to discuss comments and it assumes that consensus is reached at each stage without having to repeat a stage in the event that a consensus is not reached.

A full consensus international standard or amendment can take generally between two to four years to reach the stage IS. Other deliverables are produced by the IEC but for a manufacturer who wants to export to countries with different regulatory regimes deliverables at a level anything less than a full IS are of little or no help in achieving the goal “one standard, one test, accepted everywhere”.

A.4 Improvements to the Procedures

There are some areas where many in the private sector would like to see the voting rules for achieving consensus changed.

A.4.1 Parallel voting

When a document is circulated in the IEC for a vote at the CDV or FDIS stage it is offered to CENELEC (the European Free Trade Area – EFTA – Standards Organization that mirrors the IEC) for a parallel vote. CENELEC can either accept or reject the offer.

Voting rules in the IEC are on the basis of one country one vote which is how it should be. Voting rules in CENELEC are based on a weighted voting system according to the size of the economies involved. Consequently it is possible for a proposal (that may have been submitted by an EFTA country) to pass at the IEC level and fail at the CENELEC level. Under the dual voting procedure, this has the potential to cause manufacturers serious problems when competing in countries who accept both the CENELEC and IEC standards as an acceptable solution to regulations.

This privilege of an offer to parallel vote is not extended to other regional groupings and as far as I am aware there is no mechanism whereby the IEC can refuse to offer CENELEC a parallel vote. Consequently APEC manufacturers want countries to recognize the fact that there may be a difference between international standards and European standards and this difference may mean that the playing field is not level.

A.4.2 Active Participation

In the IEC each member country can choose which technical committee they wish to participate in and the level of participation.

There are two levels of participation

- Participating member (P member)
- Observer member (O member)

According to rules and directives of the IEC

- P members have an obligation to vote on CDV and FDIS documents and to actively participate in meetings

- O members have the right to vote on CDV and FDIS documents and to actively participate in meetings

The majority of P members fulfil their obligation to vote however, there is no clear guidance on what constitutes active participation. In the IEC, a P member is considered to have actively participated in a meeting if they submit written comment on agenda documents that simply states the substance of "We support the proposal". It becomes patently obvious that a country is not taking its obligation seriously when it submits the "We support the proposal" comment on all CD and DC documents. For example such a comment may be submitted on two separate proposals that are diametrically opposed or in response to a question that requires either a yes or no answer. In these cases one has to conclude that the P member obligations are being fulfilled only at an administrative level to meet the rules rather than after a dialogue with the national stakeholders.

P members whose active participation is limited to simply submitting the "We support the proposal" comment can skew the outcome of a vote because they are more than likely to vote positively on all documents submitted for voting without considering the implications. An abstain vote is available and is considered to fulfil P members obligations. Remember a negative vote must be supported with technical reasons.

It is no disgrace to be an O member of a committee rather than a P member. An O member has all of the rights of a P member with respect to commenting, voting, submitting proposals and attending meeting, except it cannot nominate experts to project teams (PT), working groups (WG) or maintenance teams (MT). This privilege is restricted to P members only. Taking up O membership of a committee is good way to gain experience in the international standards process before proceeding to P membership.



Ho Chi Ming City, Viet Nam
23-24 May 2006

Public - Private Dialogue on Trade Facilitation Standards and Conformance from a Private Sector Perspective



ELECTRICAL CONSULTANCY SERVICES

Introduction

- Value of international trade in electrical appliances
- Different regulatory environments
- Use of standards to managing the risk



ELECTRICAL CONSULTANCY SERVICES

Need for Globally Relevant Standards

- Support for Government policies
- WTO TBT Agreement
- Global competition
 - National standards
 - International standards free ride
- Cost of non-participation



ELECTRICAL CONSULTANCY SERVICES

The APEC EEMRA

- Applies Government to Government
- Applies to importation and selling - not connection and use
- Private sector certification marks



ELECTRICAL CONSULTANCY SERVICES

- Part I – Information sharing on regulatory requirements
- Appliances subjected to different aspects
 - Safety
 - EMC
 - Energy efficiency
 - Environmental aspects



ELECTRICAL CONSULTANCY SERVICES

- Part II – Assessment of compliance and acceptance of test reports
 - Third part assessment
 - Robust accreditation of test laboratories
 - APLAC IMRA
 - IECEE CB Scheme



ELECTRICAL CONSULTANCY SERVICES

- Part III – Certification
 - Procedures not harmonized
 - Accelerate harmonization to reduce costs
 - More recognition of SDoC



ELECTRICAL CONSULTANCY SERVICES

Standards

- Use of International standards
 - Reduces technical barriers to trade
 - Increases market size
 - Enhances ability to compete
 - One standard - one test - accepted everywhere



ELECTRICAL CONSULTANCY SERVICES

- Good Standards production
 - Timely
 - Efficient
 - Keep pace with modern technology
 - Fulfill the needs of stakeholders
 - Minimize the need for national differences



ELECTRICAL CONSULTANCY SERVICES

- The IEC model
 - Safety
 - EMC
- Expand within APEC
 - Gas
 - Water
 - energy
 - environment



ELECTRICAL CONSULTANCY SERVICES

Working Methods

- Motivation
 - Unimpeded sale of new designs
 - Contribute to national standards
 - Prudent solution to problems
 - Professional development



ELECTRICAL CONSULTANCY SERVICES

- Compromise (Reduce national differences)
 - Development national position
 - Understand basic philosophy
 - Gain experience



ELECTRICAL CONSULTANCY SERVICES

- Meetings
 - Cost of attendance
 - Brief delegates



ELECTRICAL CONSULTANCY SERVICES

International standards adoption

- Types of adoption
 - IDT
 - MOD
 - NEQ
- National differences
 - Infrastructure
 - Geographical factors



ELECTRICAL CONSULTANCY SERVICES

- Lead-in times
 - New standards
 - amendments



ELECTRICAL CONSULTANCY SERVICES

Facilitating Effective participation

- Goals for PASC
 - Coordinate input
 - Improve quality of input
 - Training
 - Available expertise



ELECTRICAL CONSULTANCY SERVICES

Conclusions

- Accreditation
- Certification
- Standards participation
- Training
- Standards development in other areas
- Scopes of MRAs



ELECTRICAL CONSULTANCY SERVICES



Asia-Pacific
Economic Cooperation

2006/SOM2/CTI/PPDTF/015

SCSC's Trade Facilitation CAP Achievements and Perspective

Submitted by: SCSC Convenor



**Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Viet Nam
23-24 May 2006**


**APEC PUBLIC – PRIVATE DIALOGUE
ON TRADE FACILITATION**
 Sofitel Plaza Hotel
 Ho Chi Minh City, Viet Nam
 May 23-24, 2006



**SCSC's TRADE FACILITATION CAP
ACHIEVEMENTS and PERSPECTIVE**

Tran Van Hoc
 SCSC Chair
 Director - Standards Department
 Directorate for Standards and Quality - Viet Nam

Background

- **Osaka Action Agenda (OAA)-1995**
 - 10 General Principles
 - Framework for liberalization and Facilitation
 - Actions by individual APEC economies
 - Actions by APEC Fora
 - APEC actions related to Multilateral Fora

Background

➢ Actions in Specific areas: Standards & Conformance

Objective: In accordance with Declaration on APEC Standards and Conformance Framework and WTO/TBT and WTO/SPS Agreements, APEC economies will :

- *Align standards;*
- *Participate in International standardization activities;*
- *Promote GRP;*
- *Recognition of conformity assessment;*
- *Promote cooperation in technical infrastructure development;*
- *Ensure transparency of the standards and conformity assessment*

Background

- **Main areas of OAA's Collective actions on Standards and Conformance:**
 - a) Standards alignment
 - b) Good Regulatory practice
 - c) Recognition of conformity assessment
 - d) Cooperation on technical infrastructure development
 - e) Transparency
 - f) Others

Background

- **APEC Trade Facilitation Actions plan**
 - Framework and schedules for implementation of actions and measures (from 2002 to 2008)
 - Aiming to reduce substantially transaction costs to business
 - Menu of concrete actions and measures

Background

- **Framework APEC TFAP**
 - SOMII-MRT, 2002: Framework and schedules for achieve Shanghai accords TF targets
 - SOMIII-2002: menu (concrete Actions and Measures) to implement TF
 - Leaders's and Ministerial meeting: approval of APEC TFAP
 - SOMI-2003: Select menu to implement collectively and individually
 - Year 2003: SOM/CTI examines review methods (objective criteria and Capacity building's efforts)
 - Year 2004: Economy to report to SOM III the implementation
 - Year 2005-2006:SOM/CTI and other fora to monitor implementation
 - Year 2006: SOM/CTI final review
 - Year 2008: SOM/CTI and other fora to report on final cost saving from Business

TFAP on Standards & Conformance

- Be kept in line with TFAP framework and schedules
- Be submitted following SOM approved report format (IAPs)

SCSC TF CAP - ACHIEVEMENTS

- **SCSC TF CAPs Development**
 - 2002
 - 2003
 - 2004
 - 2005

SCSC TF CAP - ACHIEVEMENTS

- **SCSC TF CAP 2002**
 - OAA Objectives in S&C sectors
 - Actions and measures approved by MRT 2002
 - Updated Actions and measures

SCSC TF CAP - ACHIEVEMENTS

SCSC TF CAP 2002

Initiatives and actions selected based on TF principles (11)

- 1) Alignment of Domestic Standards with International Standards (4 groups of Areas: by 2000/2005; 2002/2005 or 2004/2009)
- 2) Good Regulatory Practice
- 3) Active Participation in International Standardization (From 2000)
- 4) Advancing the Process for APEC Electrical and Electronic MRA (EEMRA) (From 2009)
- 5) Review of APEC Food MRA (From 2001)
- 6) Building Confidence in, and the Capacity of, Conformity Assessment Bodies in the APEC Region (From 2003)
- 7) Trade Facilitation in Information Technology Products (By 2005/2008)
- 8) Implementation of the Mid-Term Technical Infrastructure Development Program (By 2005)
- 9) Expansion of the Regional Directory to Include the Regulatory Profile Information for Products at the Food/Drug Interface (From 2001)
- 10) Update of Contact Points for Standards and Conformance Information (From 1997)
- 11) TIC-CAR Project through the APEC Cooperation Center for Conformity Assessment (Comprehensive information on conformity assessment bodies will be completed by 2002)

SCSC TF CAP - ACHIEVEMENTS

SCSC TF CAP 2003

Updated actions to achieve the 4 objective: (35)

- Objective 1: Standards alignment- **12 actions**
- Objective 2: recognition of Conformity Assessment
 - - Regulated area: **9 actions**
 - - Voluntary area: **2 actions**
- Objective 3: Technical Infrastructure Development – **7 actions**
- Objective 4: Transparency – **5 actions**

SCSC TF CAP - ACHIEVEMENTS

SCSC TF CAP 2004

Updated actions to achieve the 4 objective, 4 Cross-cutting activities (59)

1. Standards Alignment : **15 actions**
2. Recognition of Conformity Assessment :
 - Regulated sector : **15 actions**
 - Voluntary sector: **2 actions**
3. Technical Infrastructure Development : **11 actions**
4. Transparency : **6 actions**
5. Cooperation with Specialist Regional Bodies : **1 action**
6. Cooperation with International Bodies : **4 actions**
7. Cooperation with Other APEC Fora : **3 actions**
8. Reform of SCSC **2 actions**

SCSC TF CAP - ACHIEVEMENTS

SCSC TF CAP 2005

Updated actions to achieve the 4 objective, 4 Cross-cutting activities (69)

1. Standards Alignment : **16 actions**
2. Recognition of Conformity Assessment :
 - Regulated sector : **18 actions**
 - Voluntary sector: **2 actions**
3. Technical Infrastructure Development : **13 actions**
4. Transparency : **6 actions**
5. Cooperation with Specialist Regional Bodies : **3 action**
6. Cooperation with International Bodies : **4 actions**
7. Cooperation with Other APEC Fora : **4 actions**
8. Reform of SCSC **3 actions**

SCSC TF CAP - ACHIEVEMENTS

SUMMARY OF MAIN ACHIEVEMENTS

1. Standards alignment (VAP):
 - 80 international standards in 04 priority areas (EE Appliances; Food labeling; Rubber Products; Machinery) have been aligned (200/2005) in most APEC economies (4 members: 100%; 5 members: 75%-95%; 6 members: no reported-2004)
 - 203 International Standards in 04 additional priority areas (IEC 60335-electrical safety standards; CISPR on EMC; Standards and Guides on Conformity Assessment; IEC 60950-Safety of IT equipments) have been aligned in most APEC economies (4 members : 100%; 1 member: 75%; 6 members: no reported-2004)

SCSC TF CAP - ACHIEVEMENTS

2. Participation in international standardization

- 2.1. Creation of technical Groups(TG) aiming to coordinate regional input into IS Development in priority areas:
 - TG1 : Loading and structural design standards (ISO TC 98/SC2+SC3);
 - TG2: Performance based housing standards (ISO/TC 59/SC15);
 - TG3 Timber standards (ISO TC 89, 218; 165
 - TG4: Hazardous Area Equipment (HAE) (IEC committee work)

SCSC TF CAP - ACHIEVEMENTS

2. Participation in international standardization (2)
- 2.2. Further improve the knowledge of the member economies on specific standardization subjects and standardization process itself through building activities
- 2.3. Encourage member economies to become P member of relevant ISO Committees
- 2.4 Encourage participation in International Standardization

SCSC TF CAP - ACHIEVEMENTS

3. Good regulatory practices (GRP)
 - 3.1 Elaborated APEC guidelines for Technical regulations including:
 - APEC Guidelines for preparation, adoption and review of technical Regulation (1997)
 - Development of APEC Guide to GRP (1998)
 - APEC information Notes on Good Practice for Technical Regulations (2000)
 - Principles and features of GRP (2000)
 - 3.2 GRP Database was established (2001)
 - 3.3 Since 1999 Number of special meetings, seminars, Conferences on GRP were held by SCSC

SCSC TF CAP - ACHIEVEMENTS

4. Recognition of Conformity Assessment in the regulated Sector (1)
 - 4.1 APEC Mutual recognition Arrangement (MRAs)
 - APEC MRA on conformity Assessment of foods and food products (1996)
 - APEC MRA for Exchange of information on Toy Safety (1996)
 - APEC MRA for Exchange of information on food Recall (1999)
 - APEC MRA on conformity Assessment of electrical and electronic equipment (1999)
 - APEC food Sectoral MRA on Conformity Assessment

SCSC TF CAP - ACHIEVEMENTS

4. **Recognition of Conformity Assessment in the regulated Sector (2)**
- 4.2 Participation of the economies in MRAs
 - APEC Food MRA (7/21)
 - APEC EE MRA (Part1:16/21; Part 2:4/21; Part 3:4/21)
 - Toy safety MRA (17/21)
 - Food Recall MRA (2/21)

SCSC TF CAP - ACHIEVEMENTS

5. **Recognition of Conformity Assessment in the Voluntary Sector**
 - 5.1. APLAC MRA (1997) 14/21
 - 5.2. PAC MRA (1998)
 - 5.3. Global MRA on Measurement standards (BIMP) (1999) 19/21 & 43 non-APEC economies

SCSC TF CAP - ACHIEVEMENTS

6. **Participation in Specialist Regional Bodies (SRBs) and MLAs:**
 1. PASC: (15/21)
 2. APMP: (21/21)
 3. APLMF: (18/21)
 4. APLAC: (15/21)
 5. PAC : (14/21)
 6. APLAC MRA Testing (14/21)
 7. APLAC MRA Calibration (8/21)
 8. PAC EMS MLA (10/21)
 9. PAC QMS MLA (14/21)
 10. PAC Products Cert. MLA (4/21)
 11. Global MRA (19/21)
 12. IEC EE CB Scheme (13/21)

SCSC TF CAP - ACHIEVEMENTS

7. **Technical Infrastructure Development (1)**
 - 7.1. **Mid-term Tech. Infrast. Develop. Program (1995-2000)**
 - TILF Projects upgrading of domestic standards and conformance infrastructure
 - Food Standards Experts network
 - Cooperation with SRBs
 - Exchange of information and experiences

SCSC TF CAP - ACHIEVEMENTS

7. **Technical Infrastructure Development (2)**
 - 7.2. **Mixture of economies self-funding and TILF fund for Tech. Infrast. Development**
 - a) Partners for progress;
 - b) Conference for Standards and Conformance
 - c) Study on Technical Infrastructures Development
 - d) Compilation of information on food labeling
 - e) APEC Cooperating center for Conformity Assessment
 - f) Food Control System
 - g) International Quality Assurance Systems (IQAS)
 - h) Rice Moisture Measurement
 - i) Participation of member economies in APEC MRAs
 - j) Evaluation of Measurement Uncertainty

SCSC TF CAP - ACHIEVEMENTS

7. **Technical Infrastructure Development (3)**
 - 7.2. **Mixture of economies self-funding and TILF fund for Tech. Infrast. Development (continues)**
 - k) SPS and TBT Agreements
 - l) Trade Facilitation for IT products
 - m) Medical equipment
 - n) Quality System in national metrology Institutes
 - o) ISO 14000 Series product Oriented Standards
 - p) Calibration Laboratory Assessment PAC Peer Evaluators Workshop
 - q) APEC/PASC Training Program on adoption of International standards
 - r) Legal metrology
 - s) Genetically Modified Foods
 - t) Food Safety regulation in Fisheries and seafood products

SCSC TF CAP - ACHIEVEMENTS

7. **Technical Infrastructure Development (3)**
 - 7.3. **Seria of Seminars were organized for capacity Building for Developing countries**

SCSC TF CAP - ACHIEVEMENTS

8. **Transparency**
 - TIC-CAR Project
 - Food labeling Law, Regulations, Standards Project
 - APEC Contact point for Standards and conformance information
 -

SCSC TF CAP - ACHIEVEMENTS

9. **Interaction with SCSC Stakeholders**
10. **Non-APEC coordination issues**
11. **Business involvement issues**
-

PERSPECTIVES

“ONE STANDARD,
ONE TEST,
WORLD-WIDE ACCEPTED”

PERSPECTIVES

Improve the implementation of SCSC TF CAP

- SCSC Year Work plan updating approach
- Using TF CAP template
- Yearly evaluation and analysis of implementation?
 - ❖ Mark completed actions
 - ❖ Withdrawn the unnecessary actions

PERSPECTIVES

Improve the implementation of SCSC TF CAP

- Assessment Effectiveness of implementation of TF CAP
 - ❖ Every 5 year basic at Final review ?
 - ❖ Method and criteria for assessment (quantitative, qualitative)
 - ❖ Value of achievements

PERSPECTIVES

Improve the implementation of SCSC TF CAP

- Standards and Business involvement
- Standards and regulator involvement
- Dialogue promotion approach

PERSPECTIVES

Improve the implementation of SCSC TF CAP

- Continual improvement
 - P: Plan
 - D: Do
 - C: Check
 - A: Corrective Actions



THANK YOU



Asia-Pacific
Economic Cooperation

2006/SOM2/CTI/PPDTF/016

Report of Survey Result for ABTC

Submitted by: Japan



**Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Viet Nam
23-24 May 2006**



Report of Survey Result for ABTC(APEC Business Travel Card)

ABAC recently conducted a survey among ABTC holders to review its recommendation points for the ABTC scheme in hopes of further contributing to the process of improving the scheme's implementation.

<Re: Outline of ABTC>

- **BENEFIT:** ABTC was developed in response to the need of business people to enjoy:
 - ✧ Fast-track entry and exit through special APEC lanes at major airports,
 - ✧ No need to individually apply for visas or entry permits each time you travel to any of the participating economies,
 - ✧ Multiple short-term entry to these economies for a minimum of 60 days stay each visit,
 - ✧ Validity of three years.
- **ELIGIBILITY:** ABTC is for business persons who is a passport holder of a participating economy (or a Hong Kong permanent resident with any valid travel document), travels regularly to conduct trade and investment activities in the APEC region and has not been convicted of a criminal offence.
- **ECONOMIES:** Participating economies are: Australia, Brunei Darussalam, Chile, China, Hong Kong (China), Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Papua New Guinea, Peru, The Philippines, Singapore, Chinese Taipei, Thailand and Vietnam. (17 economies, as of May 2006)

The purposes of the survey are:

- to prioritize suggestions of ABAC for resource-efficient improvement,
- to promote business mobility in the region with more user-friendly ABTC operation,
- for further development of trade and investment activities in the region.

1. Outline of the survey

- Period: 19 April 2006 to 10 May 2006
- Method: Circulation and Collection of survey format through email
- Response: 57 ABTC holders / 10 economies

- ◇ Though the response represents just .5% of the total cardholders, the results elicited concentrated answers and many comments and seems representative of the sentiments of cardholders.

2. Priorities

- The most recognized issue for ABTC to be improved among cardholders were;
 - Performance-related matters such as “on-line services,” “recognition of ABTC,” “specially marked ABTC lane” and “creation of the ABTC Handbook.”
 - Time-related issues such as “shortening processing time for pre-clearance,” “disclosure for reasons of rejection” and “extension of validity of the card.”

3. Individual issues

(1) Profile of respondents

- Average period of holding ABTC among respondents is 2.7 years.
- 98.2% of respondents used ABTC to travel to ABTC-participating economies.
- 92.9% of respondents traveled to non-ABTC economies.
 - ◇ It is obvious that ABTC is highly utilized. They also traveled to non-ABTC-participating economies. We strongly invite these economies to join the scheme as soon as possible.

(2) Promotion of the ABTC scheme

- 71.4% of the cardholders think that the number of cardholders should be increased.
- 69.6% of the cardholders think that the promotion of the scheme should be increased.
 - ◇ Some of the respondents hoped for more operational improvement before expansion, which may cause further deterioration of ABTC services.

(3) Application process for ABTC

- For 75% of the cardholders, application process took more than 3 months.
- 73.2% of the cardholders think that the processing time is “too long.”

- ✧ 64.3% of the holders who think “processing time is adequate” were issued the card within 1-3 months. 90.2% of the holders who think “processing time is too long” waited more than 3 months before the card was issued.
 - ✧ We also have to note that there are some people who are still waiting for their ABTC issuance for more than a year.
- There is a significant portion of holders who wish to have Online Services for
 - Application form (88.6%)
 - Application process (93.2%)
 - Status information on pre-clearance (95.4%)
 - ✧ In the comments, there are strong expectations for the online service to help improving and shortening the application process.
- 92.2% of respondents said that they need disclosure of reasons for rejection of pre-clearance.
 - ✧ Though ABAC recognizes the challenges of IEGBM in implementing this recommendation, it still remains one of top priorities for ABTC improvement among cardholders.
- Validity period of the ABTC is another big challenge for ABTC. 83.6% of cardholders preferred “5 years or more” validity of ABTC.
- 54.6% of the cardholders have not experienced the renewal of ABTC.
- For 56.5% of the cardholders who renewed the card, the reason for it was “expiration of the card.”
 - ✧ “Time” issues such as pre-clearance and validity are still top priority for ABTC improvement, particularly with card renewal, which will increase from now on, and will become one of big challenges for ABTC.

(4) Awareness of Card at entry and departure points

- 31.4% of the holders experienced “non-recognition of ABTC” at a port of entry
- 34% of the holders experienced difficulty to find out “specially marked lane for APEC, ABAC or ABTC.”
 - ✧ Because these are the most critical points of “Performance” of the scheme, we recognize these complaint rates are quite high. Continuous efforts for capacity building and facility improvement for ABTC are strongly requested.
- 82.7% of cardholders appreciated that the processing time at entry and departure points became faster.
 - ✧ This can be one of the biggest benefits we can recognize and develop furthermore.

- 80.4% of the cardholders chose that they would “definitely use” the “ABTC Handbook” that includes basic information such as immigration procedure, map of ports, location of ABTC lane and telephone directory.
 - ✧ We propose the creation and distribution of the new “ABTC handbook.”
 - ✧ Throughout this survey, there are some sections and comments that show “non-recognition of card holders” is also a matter for challenge. For example, one respondent claimed that he/she was refused at the point of entry because the name of the economy was not on the back of the card. Some might not be able to find out ABTC lane and said “there was NOT ANY ABTC lane.” The supply of sufficient information to cardholders, implementers and other related people such as airline staff will be another effective remedy for both resource-efficiency of ABTC operation at the port and higher satisfaction of cardholders.

4. Conclusion

Most of these issues above have been already discussed between IEGBM/APEC and APMC/ABAC. However, this is the first time that these issues were backed up by a survey of actual experiences of cardholders. It should be highly appreciated if these performance- and time-related issues could be further improved thorough collaboration between APMC/ABAC and IEGBM/APEC.



Asia-Pacific
Economic Cooperation

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Perspective on Public-Private Partnership Facilitating Trade

Submitted by: Viet Nam



**Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Viet Nam
23-24 May 2006**

Perspective on Public-Private Partnership facilitating trade

by
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Paper presented at APEC Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Vietnam
May 23-24, 2006

Structure of the presentation

- Six APEC member economies' case-studies:
1. Korean's Single Window System
 2. Mexican Integral Automated Customs System (SAAI) M3 Phase
 3. China's E-port
 4. Singapore TradeNet
 5. US's Automated Commercial Environment (ACE)
 6. New Zealand's Project Guardian

Korean's Single Window System

- KSW enables traders to finalize all the regulatory requirements of import/exportation by lodging standardized information to the single entry point.
 - KSW operates with 8 participating agencies (with provision to expansion).
 - A web-based clearance system (Export, Import and Drawback): 10-20% of Customs declaration.
 - Customs-business partnership
 - Also covers logistics, finance, payments, etc.

Mexican Integral Automated Customs System (SAAI M3)

- Payment of customs duties,
- deposit certificates;
- cargo shipping lines manifests;
- temporary importation for some means of transport;
- certain carrier's documents;
- electronic transmission of certain government permits and certificates such as sanitary and phyto-sanitary; and
- transmission of inspection documents and remote systems

China's E-port

- China E-customs
- Online Processing Business Administrative System (OPBAS):
 1. uses E-port as the platform to connect Customs, local MOFCOM offices and enterprises to enable the transmission of electronic data
 2. aims to facilitate paperless online processing of business examination and approval procedures, registrations, alterations, import and export clearance, and customs write-off formalities
- China Customs expects all customs offices nationwide to implement OPBAS.

Singapore TradeNet

- TradeNet was launched in January 1989
- A nationwide EDI (Electronic Data Interchange) network to facilitate trading community in exchanging of structured trade documents and information electronically
- Its objectives are to enforce controls laid down by domestic policies and international agreements, collect GST and Customs duties and trade statistics.
- TradeNet can be used via Internet at: <http://www.tradenet.gov.sg/>

US's Automated Commercial Environment (ACE)

- ACE is revolutionizing the processing of goods imported into the United States: import and export data are being collected, processed, and analyzed more efficiently than ever before.
- The transformation of the United States' commercial ports of entry is grounded in the four major business functions of ACE:
 - 1) the ACE Secure Data Portal;
 - 2) Account Management;
 - 3) Cargo Processing; and
 - 4) Border Security.

New Zealand's Project Guardian

- The Project Guardian is about ensuring that the service is organized, resourced and capitalize on the opportunity to effectively predict and manage emerging risks.
 - People: Supporting our people's performance and development.
 - Resources: Ensuring our capacity to meet increasingly complex expectations.
 - Organization: developing our ability to anticipate and respond to changing needs.
 - Systems: aligning our systems with corporate and operational requirements.
 - Reputation: building our profile as innovative thinkers and operations leaders

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Asia-Pacific
Economic Cooperation

2006/SOM2/CTI/PPDTF/018

Trade Facilitation 2006-2010

Submitted by: Australia



**Public-Private Dialogue on Trade Facilitation
Ho Chi Minh City, Viet Nam
23-24 May 2006**

Trade Facilitation 2006-2010

**Report for the APEC Committee on Trade and Investment
May 2006**

Andrew Elek

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1. Overview

The first phase of the Trade Facilitation Action Plan (TFAP) has largely met initial expectations. Although it is hard to measure precisely the gains from the wide range of actions which have been pursued, it is almost certain that a 5 per cent reduction in transactions costs has been achieved. The next phase of the TFAP can build on that successful experience.

The next phase is also a valuable opportunity for APEC to help member economies to mobilise resources from international financial institutions (IFIs) and the private sector. That is essential to achieve any significant acceleration of APEC's work to facilitate trade.

It will not be easy to attract such resources. APEC action plans need to be more than a list of options. Potential investors will need to be presented with well-defined programs for investing in the capacity-building which is needed to implement trade facilitation. They will also need to assess the prospects for obtaining an adequate return on their potential investments.

To attract new resources, an ideal TFAP should contain components which:

- reflect clearly the priorities and realities of the diverse group of APEC economies.
- have targets which member economies want to achieve;
- which build on successful experience, including the ability to attract investment; and
- whose progress can be lead to measurable reductions in business transactions costs.

A high quality TFAP cannot be drawn up overnight. At present, APEC does not have the capacity to transform all the good ideas it can generate into specific programs for action which can be expected to attract significant outside resources. It will take much time and effort to create such capacity.

Therefore, this report suggests a strategic, selective approach to drawing up the next phase of the TFAP. This would be the beginning of a transformation of the TFAP from a menu of options towards a set of high priority programs.

The next phase of the TFAP should include some opportunities for individual and collective action, which meet at least some of the above criteria. They should be proposals for trade facilitation:

- to which at least some APEC governments are committed;
- which build on successful experience;
- and whose progress can be measured.

The diversity of APEC means that it is not easy to find options for cooperation which are of interest to all member economies at the same time. It is, therefore, realistic to expect next phase of TFAP to be dominated by components that some, but not all, economies want to pursue at the same time.

Section 3 sets out some options of this kind for consideration in each main dimension of trade facilitation. In many of these cases, the proposals would aim to help some APEC economies move closer to the best practice already achieved in some other economies. Member economies can cooperate by sharing information, experience, expertise and technology in order to move closer to best practice.

In addition to TFAP components which meet such basic criteria, the report recommends further work on at least one dimension of trade facilitation, as an example of how resources might be attracted from outside sources.

The example discussed in Section 4 is cooperation among a group of APEC economies to enhance the efficiency and security of supply chains. APEC could commission more detailed project design work on opportunities in this area. Such work should draw on a wide range of expertise. In addition to officials from APEC economies, the team could include:

- people involved in supply chains;
- representatives of IFIs involved in lending for enhancing the efficiency and security of supply chains; and
- experts in the design of public-private partnerships.

This team would seek to define investment opportunities in this area of facilitation and explain how investors would be able to obtain a return on their potential investment.

If an initial program dealing with supply chains can get under way, with support from the private sector, there would be a strong incentive for those with expertise in other areas of facilitation, for example on standards and conformance, to define aspects of their work in a way which can also expect to attract investment from outside APEC.

Such a selective approach can contribute to a progressively higher quality TFAP over time. Subsequently, it can also set an example for a strategic approach to the design of a Busan Business Agenda

2. *A strategic approach to trade facilitation*

2.1 New opportunities

The Busan Roadmap to the Bogor goals, endorsed by APEC leaders in November 2005, describes APEC's progress to date. The Roadmap also draws attention to new challenges to promoting further market-driven integration in the Asia Pacific region. These reflect changes in the business environment and the rapidly evolving nature of international commerce. Accordingly, the Roadmap points to the need to pay relatively more attention to trade facilitation and dealing with behind-the-border issues.

The Busan Business Agenda is at the heart of the Busan Roadmap. It is designed to promote concerted action to deal with a broad range of behind-the-border issues. The next phase of the TFAP, which is expected to achieve at least another 5 per cent reduction in transactions costs, is an integral part of the proposed Busan Business Agenda. Accordingly, the design of the next phase can set an example for developing a progressively more comprehensive and high quality Busan Business Agenda.

Drawing up the next phase of the TFAP provides a valuable opportunity to accelerate the pace of trade and investment facilitation. Accelerating progress will need a considerably larger and more focused investment in the capacity-building that is needed to implement options for capacity-building.

There is a rapidly growing body of evidence about the high returns available from investment in trade facilitation.¹ The main challenge for the next phase of the TFAP is to mobilise resources to take advantage of these opportunities.

2.2. Mobilising resources

It will not be easy to mobilise the resources needed for trade facilitation. Significant additional resources cannot be expected in the form of grants from APEC governments or development agencies.

The APEC process is not designed to be a development agency. To accelerate the pace of trade facilitation, it will be necessary to catalyse resources from other outside sources.

Since 2001, APEC leaders have stated, repeatedly, that APEC needs to encourage member economies to mobilise resources from the private sector (including by means of public-private partnerships) or from IFIs. A well-designed second phase of the TFAP should seek to turn this hope into reality.

¹ In addition to material from APEC sources, World Bank and Asian Development Bank publications present evidence of the potential gains from investment to reduce business transactions costs. An comprehensive summary of the relevant literature is available from the OECD Trade Policy Working Paper 21, available at <http://www.oecd.org/ech/trade/facilitation>.

APEC is making worthwhile progress in terms of trade facilitation. However, its contribution is not sufficiently appreciated by the private sector. Therefore, they have not had adequate incentive to invest in backing APEC's collective efforts. That, in turn, has made it hard to promote facilitation on a scale which can make a tangible difference to the environment in which the private sector operates.

To overcome this problem, the next phase of the TFAP will need to identify specific opportunities for investment in trade facilitation from outside sources.

Therefore, the next TFAP must be more than a long list of ideas and options. At least some parts of the next phase should contain potential programs for collective work programs by some APEC economies:

- which are expected to lead to measurable reductions in business transactions costs;
- which can be translated into an economic rate of return sufficient to justify the necessary capacity-building effort; and
- where some of these gains can generate an adequate rate of return to potential lenders or investors.

Such components of the TFAP should set out what efforts are expected from APEC member economies themselves and how those efforts could be accelerated if additional resources could be attracted.

In other words, APEC needs to encourage the transformation of the TFAP from a menu of options towards one which also contains a set of high priority programs. These programs should be ones where some APEC governments want to undertake a program of collective work. Moreover, that work should be expected to make a tangible difference towards lower transactions costs and generate potential economic returns which are capable of attracting investment in capacity-building from outside sources.

Making such a transition will take time. In the remainder of 2006, it is not realistic to expect to draw up detailed work programs for all potential aspects of trade facilitation. However, it should be possible make a start in this direction, in at least one important dimension of trade facilitation.

2.3 Pathfinder initiatives

A meaningful TFAP needs to set some targets. For a successful next phase, the targets should be realistic, well-defined, practical targets that APEC economies want to meet, rather than targets imposed on them.

A realistic action plan needs to accept the reality that APEC is a voluntary process of cooperation. The APEC process can be, and should be, expected to

help member economies achieve things they want to do. However, APEC governments cannot be expected to act against their perceived interests.

In the longer term, there is scope for changing perceptions of self-interest; for example, by sharing experience on how to meet adjustment costs needed to achieve long-term economy-wide benefits. However, in the short-term, a credible action plan should only contain options which APEC economies want to pursue, at a pace consistent with their current conditions.

The diversity of APEC means that it is not easy to find options for cooperation which are of interest to all member economies at the same time. Therefore, as foreshadowed in the Busan Roadmap, progress towards free and open trade and investment is expected to rely heavily on pathfinder initiatives.

There are many options for cooperation where some economies want to make progress, often in order to move closer to best practice achieved somewhere. In these cases, the constraint on progress is not a problem of political sensitivities, but the human, institutional and financial capacity to implement opportunities to facilitate trade.

2.4. Trade facilitation as an investment

All potential individual or collective actions to pursue trade facilitation have costs as well as benefits.

Governments cannot afford to pursue all options to facilitate trade. They need to look for those options where they can expect returns to cover the cost of the investment that is needed. That suggests a focus on TFAP components where gains expected gains will be measurable and provide an acceptable rate of return on the costs of obtaining such gains.

Unless progress can be objectively measured, it is not possible to estimate the expected rate of return from investing in potential opportunities to facilitate trade.

Opportunities to facilitate trade which have an adequate expected economic rate of return should, in principle, be able to attract outside resources to complement what governments can afford to invest themselves, thus boosting the total resources available for trade facilitation.

3. *Potential collective actions*

Experience so far shows there are many options for facilitating trade by improving customs procedures, mutual recognition of standards which are increasingly aligned with international standards, enhancing business mobility as well as encouraging e-commerce and paperless trading.

A lot of useful work is taking place in all these areas. All this work is worth continuing, at least in terms of policy development. However, the next phase of the TFAP should be more than 'business as usual'. We need to select some

programs, in specific areas, where we want to accelerate progress significantly. That requires attracting investments from outside sources to complement the limited resources which APEC governments can invest in capacity-building.

As explained in Section 2, areas where it may be possible to accelerate progress by attracting investment need to be programs:

- to which at least some APEC governments are committed;
- which build on successful experience;
- and whose progress can be measured.

The following are activities where it may be useful to concentrate and accelerate efforts.

3.1 Standards

APEC itself does not set standards. However, the TFAP can encourage economies to make further measurable progress in terms of the shares of production where international standards apply. This would assist them to increase the shares of production where their tests of compliance with such international standards are accepted by at least some other APEC economies (this can complement the coverage of mutual recognition agreements).

Collective action can help economies to enhance their capacity to assure compliance in areas where they have adopted international standards. Progress will require investment in the capacity of standards testing laboratories and aspects of metrology. Such capacity-building work can help achieve measurable progress in terms of the preceding objective.

It may also be able to possible to work towards objective criteria for accreditation of the capacity of economies to assure compliance with the international standards they decide to accept.

APEC has developed good training materials for standards and conformance. The next phase of the TFAP could be used to attract investment to step up training in a group of pathfinder economies which wish to accelerate progress in this area. Training facilities for groups of economies, rather than in individual economies, could realise significant economies of scale and scope.

3.2 Customs procedures, paperless trading and e-commerce

Some economies have gone a very long way towards automated customs procedures, fully electronic exchange of information and a 'single window' for electronic exchange of trade-related data with all government agencies involved (including quarantine agencies).

Similarly, some economies have developed sound systems for ensuring the confidentiality and security of electronic data exchange and electronic payments, including on-line authentication of electronic 'signatures'.

It should be possible to find a group of economies which is keen to move closer to best practice in these areas and to define a capacity-building program needed by this group. Such a program can, once again, achieve economies of scale and scope compared with work in each economy in isolation.

Some governments are well on the way to having e-portals for all dealings with the public. The next phase of the TFAP could encourage others to have e-portals for at least some aspects of government, for example, an e-portal for all government procurement.

3,3 Transparency

Private sector experience suggests that the degree of transparency of government business regulation has a significant impact on transactions costs. Many “behind the border” business regulations are motivated largely by domestic policy concerns but which nevertheless impact considerably on the scope for international trade and investment, especially in the services sectors.

Businesses wishing to explore potential market opportunities in regional APEC member economies are often obliged to devote considerable time and resources simply to identifying, translating, and understanding the regulatory framework operating in each potential market.

APEC could make a major contribution to cutting these costs by commencing a major new collective undertaking to promote greater transparency of domestic policies and regulations which impact on trade and investment in services. Encouraging further movement towards e-government, paperless trading and electronic payments systems is a good way of promoting transparency.

Ideally, all regulations should already be coming more closely into line with the APEC principles of competition and regulation adopted in 1999. But achieving adequate transparency is an essential prerequisite. Until progress is made in transparency of domestic regulation, little progress can be expected on the regulatory reform front. Regional experience also shows that technical assistance is likely to be required even at the transparency improvement stage.

In many services sectors, there is a complex web of overlapping, sometimes conflicting business regulations, often by several ministries. Better documentation and greater transparency can lead to a better domestic appreciation of the importance of cutting unnecessary red tape constraining regional business and, where possible, harmonising around regional regulatory best practice; it would also help progress in liberalisation of services in the WTO.

To obtain measurable results, it may be useful to focus attention on particular service sectors, such as accounting and business services. Moreover, progress is most likely by working with a self-selected group of pathfinder governments

which want to make progress towards more transparent and efficient economic regulations.

3.4 Business mobility

Most APEC economies have now adopted the APEC Business Travel Card. In these cases, it should be possible to achieve measurable gains in terms of the time taken to issue the card, and the time taken to pass through immigration queues. Measurable reductions in transactions costs could also be obtained by encouraging the issue of business visas for longer-term, multiple entry. This is especially relevant to facilitating Mode 4 trade in professional services.

Building on ongoing work, there should also be scope to help and encourage more economies to participate more effectively in electronic advance passenger information and clearance procedures, possibly by sharing expertise in software design and application.

The speed of issuing visas could also be improved by more provision of e-lodgement of applications, leading to pre-clearance. If formal visa are still needed, they could be inserted into passports at the time of travel.

3.5 Towards best practice

There has already been useful work on each of these areas in the first phase of the TFAP. Some economies are well ahead of others in some of these areas, and have set high standards for best practice.

Therefore, in the areas suggested above, there is scope to build on successful experience. There is also scope for cooperation among member economies by sharing information, experience, expertise and technology.

The success of the next phase of the TFAP depends on some economies volunteering to be pathfinders. There should also be at least some economies which want to move closer to best practice in these dimensions of trade facilitation and are willing to try to achieve well-defined milestones, challenging APEC to see how cooperation can help them do so.

The options highlighted above are put forward for consideration, rather than firm recommendations.

Some of the ideas may turn out to be too difficult to shape into programs, which are supported by a group of APEC economies, and whose progress can be measured in terms of objective performance criteria.

Moreover, once an initial list is put forward, working groups with expertise in other areas will not be happy to be left out. It should be possible to accommodate some of them, without ending up with a long wish-list. Some working groups should be able to rise to the challenge of devising work programs in their areas of expertise which meet the recommended criteria for inclusion in the next phase of the TFAP.

4. Program development

The options discussed above have the potential to attract investment from other sources, such as IFIs and/or public-private partnerships. To realise that potential, it will be necessary, in each case, to set out a proposed program of activities in sufficient detail to make it possible to define specific investment opportunities.

It will also be necessary to estimate the potential returns from such investments and need to explain how investors will be able to obtain a return on their potential investment.²

4.1 From ideas to work programs

A lot of work will be needed to draw up specific work programs and cannot be expected to be done by APEC officials who meet only three or four times a year.

APEC needs to mobilise the capacity to transform all the opportunities identified by its working groups into real results on the ground. Such capacity be created overnight.

In addition to further contributions from officials in relevant APEC forums and working groups, it will be essential to draw on additional expertise. Substantive project design work will need to draw on:

- people involved in implementing and operating relevant aspects of facilitation;
- representatives of IFIs involved in lending for investment in such areas; as well as
- experts in the design of public-private partnerships.

This team would seek to define investment opportunities in a particular area of facilitation, estimate the expected returns from such investment and explain how investors would be able to obtain an appropriate return on their potential investment.

It will take time and some commitment of funds to assemble such teams. However, during the remainder of 2006, it may be possible to set at least one example of project design which could attract outside resources in due course.

The following is an example where APEC member economies could consider commissioning detailed project design work, in a field which takes in several dimensions trade facilitation, including customs, paperless trading, e-commerce and e-government.

² In order to attract investment from new sources, the governments whose economies expect to reap some of the gains will need to be willing to use some of these gains to repay potential private investors. For example, the governments which borrow from IFIs to finance investment in capacity-building would need to be willing to service those loans.

4.2 Supply chains

In recent years, supply chains have become an important means of finding competitive advantage, using new opportunities created by advances in transport, information and communications technology. The capacity for reliable and rapid response to opportunities to become engaged in regional and global supply chains is becoming a crucial source of comparative advantage, along with other factors such as land, labour and capital.

APEC is already productively engaged in helping economies to improve several aspects of their trade logistics. Such improvements can help economies to become more effectively involved in global as well as regional supply chains. The capacity to do so can be assessed by means of objective performance indicators, usually expressed in terms of reducing business transactions costs.

As explained below, further work on trade logistics and supply chains would have some important advantages, which are likely to lead to successful and tangible results.

Building on successful experience: APEC has a good track record in terms of helping to enhance the efficiency and security of supply chains, including the promotion of paperless trading and e-commerce and more efficient customs procedures as well as enhancing the security of logistic operations.

Well understood scope of work: It is beyond the scope of this paper to set out a full list of the kinds of investments needed in hardware and software, but the nature of capacity-building investments needed to improve trade logistics is known from past experience.

Shared desire for progress: All APEC member economies are already working towards improving their trade logistics. This is an area where economies are likely to be willing to set targets for accelerating progress.

Capacity limits on progress: In this area of trade facilitation, the constraints on progress are not political sensitivities, but limits of capacity; including human, institutional and infrastructure capacity.

Measurable results: There are generally accepted performance indicators of the efficiency of logistic operations, such as the time taken for products to reach a port or airport, and the time taken to make their way through these ports. Such improvements are fully in line with the already agreed objective of reducing transaction costs.

Significant potential benefits: the World Bank has estimated that the region would gain US\$280 billion, if the performance of all major ports in the Asia Pacific could be raised to half the performance already achieved in the region. The potential to gain several hundred billion dollars from

improving the efficiency of APEC ports has already been noted. The Asian Development Bank has also drawn attention to the potential to save up to 1 per cent of the value of traded products by reducing port clearance times by just one day.

Opportunities for international cooperation: The effectiveness of investment to promote more efficient procedures, such as more effective use of information and communications technology, can be enhanced by drawing on the experience of others. Efficient logistics, depends on the use of agreed procedures and communications standards, so there is extensive scope for collective action.

Potential sources of investment: Investments in better logistics by APEC member economies are already being accompanied by private investment, including public-private partnerships, and by loans from IFIs. APEC cooperation could coordinate efforts in several economies, to enhance the volume and efficiency of these investments.

4.3 A potential pathfinder initiative

Improving the prospects for engagement in regional and global supply chains is an area of interest to the 2006 APEC host. Viet Nam is already investing in this area and is raising capital from international capital markets to boost the capacity of infrastructure.

With APEC-wide commitment to such an initiative, Viet Nam and other economies who want to accelerate work on improved trade logistics could initiate an effort to define a draft work program in this area, in order to achieve some improvement in performance indicators, such as port clearance times.

The preparation of the work program could be coordinated by a group of APEC officials already working in trade and investment facilitation, transport and communications. People from the private sector involved in relatively efficient supply chains, as well as project design experts from IFIs should, ideally, be called on from the outset.

In the remainder of 2006, it may be possible to draw up an action plan for at least some economies, designed to achieve measurable improvements in objective performance indicators of the efficiency and security of supply chains. Such a program could also begin to identify the necessary investments in various forms of capacity-building which would be needed to obtain measurable gains in performance.

In particular, it should be possible to pinpoint some of the many ways in which the APEC community as a whole can contribute in terms of sharing information, experience, expertise and technology relevant to efficiency and security of supply chains.

The November 2006 meetings of APEC ministers and leaders could be an opportunity to consider a substantial, coordinated work program for improved trade logistics in a group of pathfinder economies

Senior representatives of the private sector and the heads of IFIs could be invited to a discussion of the potential work program, in order to draw their attention to a range of potential commercially viable investment opportunities in this area.

It may prove possible to launch a work program to improve the efficiency and security of supply chains in 2007, based on decisions made in 2006. That would contribute directly to lower transactions costs.

That, in turn, could yield an 'early harvest' from the next phase of the TFAP.

4.4 Broadening the agenda

Improving supply chains and trade logistics is certainly not the only way to facilitate trade and investment. Work in this area will need to be accompanied by plans for reform and investment which can contribute to other dimensions of free and open trade and investment, some of which are set out for consideration in Section 3.

It would be desirable to undertake, or commission, detailed program design work in more dimensions of facilitation. In each case, the aim would be to set out the policy development and investment expected to be needed in sufficient detail to attract serious attention from potential investors, including IFIs. It would be up to individual member economies, or groups of member economies, to approach IFIs, or other potential investors, but indications of support from the APEC process could help them to do so.

If an initial program dealing with supply chains can get under way, with support from the private sector, there would be a strong incentive for those with expertise in other areas of facilitation, for example on standards and conformance, to define aspects of their work in a way which can also expect to attract investment from outside APEC.

Such a selective approach can lead to a progressively higher quality TFAP over time. It can also set example for a strategic approach to the design of a Busan Business Agenda, whose scope is wider than that of TFAP.

Trade Facilitation -- next steps

*APEC
PUBLIC - PRIVATE DIALOGUE ON TRADE FACILITATION
Softel Plaza Hotel
Ho Chi Minh City, Viet Nam
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A high quality TFAP

- Drawing up the next phase of the TFAP is a valuable opportunity to accelerate the pace of trade and investment facilitation;
 - that will need more resources for capacity-building;
- **Those resources need to be mobilised from new sources,**
 - that requires a high quality TFAP,
 - not just a long list of good ideas.

- APEC is not an aid agency or development bank,
 - but the APEC process can help steer capital towards sound opportunities to invest in trade facilitation.
- APEC can't pay for capacity-building on any large scale
 - but can try out some good ideas.
- Cooperation within the APEC process
 - should be able to mobilise resources to do more in terms of reducing transactions costs.

Opportunities for cooperation

- APEC economies can:
- encourage each other to move towards best practice in areas of facilitation;
 - pool their information, experience, expertise and technology,
 - to ensure that the necessary investments in capacity-building are made efficiently;
 - help each other to attract the financial resources needed for capacity-building,
 - possibly through public-private partnerships,
 - or borrowing from international financial institutions (IFIs).

Capacity-building

- **Making progress towards objectives**
 - such as paperless trading and mutual recognition of standards,
- **Requires capacity-building :**
 - training,
 - institution building,
 - investment in infrastructure.

Setting priorities

- The TFAP should give priority to options for facilitation, whose objectives are:
- well-defined and measurable;
 - ambitious; and
 - realistic:
 - they should be targets economies want to achieve, and
 - build on successful past experience.

Where to start?

- A TFAP which contains activities with all of these desirable features cannot be drawn up in one year.
 - but we want to launch it in 2007,
 - based on decisions made in 2006.
- Therefore, we need a **strategic and selective approach** to designing the next phase of the TFAP.

Accelerating work on trade logistics and supply chains can be a high quality, early component of the TFAP; such work would:

*build on successful experience;
build on APEC's existing work;
lead to measurable reductions in transactions costs;
have substantial economic benefits;
meet an urgent priority of APEC economies;
should not encounter political sensitivities;
but will require capacity-building.*

There are many ways in which cooperation among APEC economies can accelerate progress.

The private sector and the international financial institutions are already contributing to the investments needed;

APEC cooperation could help to mobilize more resources.

Possible next steps

- The November 2006 meetings of APEC ministers and leaders could be an opportunity to launch a substantial coordinated work program for improved trade logistics.
- Senior representatives of the private sector; and the heads of IFIs (World Bank, ADB) could be invited:
 - to draw their attention to a range of potential commercially viable investment opportunities in this area.

Supply chains

- Efficient and secure supply chains are needed for successful engagement with the global economy.
- The capacity for reliable and rapid response to opportunities to become engaged in regional and global supply chains is becoming
 - **an important source of comparative advantage.**
- Work on supply chains is an important means to reduce business transactions costs,
 - **it is a crucial part of work towards free and open trade and investment.**

A potential pathfinder initiative

- In 2006, Viet Nam, along with other interested APEC economies,
 - could launch an effort to define a work program in this area;
 - to achieve measurable improvement in performance indicators, such as port clearance times.
- Such a pathfinder initiative would also be part of the next phase of the Trade Facilitation Action Plan;
 - a significant part of the next TFAP could be collective actions to support work in the area of trade logistics.

This presentation has recommended a strategic, selective approach to drawing up the next phase of the TFAP.

Such a strategy can:

- allow an early start, in 2007
- set a constructive example and
- set the framework for the evolution of a progressively more comprehensive agenda,
- be an important outcome for Ha Noi, 2006.



Asia-Pacific
Economic Cooperation

2006/SOM2/CTI/PPDTF/019

An Effective Role for APEC in Addressing Technical Barriers to Trade (TBTs)

Submitted by: New Zealand



**Public-Private Dialogue on Trade Facilitation
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AN EFFECTIVE ROLE FOR APEC IN ADDRESSING TECHNICAL BARRIERS TO TRADE (TBTs)

**PAPER PREPARED FOR APEC CTI MEETING, HO CHI MINH CITY,
MAY 2006**

Introduction

In recognition of the fact that differing standards and conformance requirements can impose barriers on trade, APEC's Trade Facilitation Action Plan includes a focus on these areas. The TFAP for 2002-2006 encourages alignment of domestic and international standards, recognition of conformity assessment, transparency etc.

As APEC seeks ways to fulfil Leaders' commitment to a further 5 percent cut in trade facilitation costs by 2011, standards will remain a key area for attention. It is clear from comments made by APEC members, and by ABAC, that different standards and conformity assessment requirements continue to pose serious ongoing problems for traders. While APEC as a whole has made progress in some areas, eg aligning domestic and international standards, there are ongoing difficulties with other aspects of cooperation on standards and conformity assessment issues.

This paper proposes an improved framework for dealing with these issues in APEC. If implemented expeditiously as part of the next TFAP it could provide the framework for a more effective dialogue on standards and conformity assessment issues. This in turn could result in progress on reducing technical barriers to trade (TBTs) and help to achieve the new 5 percent cost reduction target.

Background

Technical regulations, standards and conformance assessments are essential to prevent deceptive practices and protect health, safety, the environment and national security. The WTO TBT Agreement acknowledges the legitimacy of such concerns and the right of governments to take appropriate measures to address them. At the same time, it places obligations on members to formulate measures within a framework of principles which support trade.

The Nature of TBTs

Standards are usually divided into two categories: mandatory technical regulations imposed by governments and voluntary standards developed by the private sector. Technical regulations cover not only appropriate levels of protection, but how conformance to those standards is assessed, who may assess conformance, and how compliance is monitored.

The way regulatory systems interact in each of these areas can create barriers to trade that can substantially increase transaction costs for exporters, delay access to markets and deter SMEs from entering new markets. Ultimately, they result in higher costs and limit choice for consumers. The OECD estimates TBTs negatively affect 80% of global trade.

Significant TBTs include:

- Difficulty in accessing information on regulatory requirements for exports:
- The need for products to comply with different technical regulations and standards in international markets from those required domestically;
- Requirements to re-test products in export markets, even where the standard is the same as in the domestic market;
- Requirements to meet the cost of inspections or audits of manufacturing plant by inspectors and auditors from export markets;
- Language barriers.

The Impact of Globalisation on Regulatory Regimes

New technologies and globalisation confront regulators with the challenge of monitoring compliance over an expanding range of products from an increasing number of countries. Besides creating unnecessary administrative costs and being an inefficient use of scarce expertise, total reliance on internal regulatory systems may be ineffective in this environment. There is an obvious role for international cooperation to complement domestic measures and to facilitate trade.

Difficulty of securing regulator participation

The difficulty in resolving standards issues in an international setting are well known. Trade negotiators alone cannot address TBTs: there is an important role for domestic regulators and standards and conformance

agencies. However, regulators have not traditionally been required to take into account the effect of their regulations on trade. Despite the fact that in today's environment an inward focus may be inefficient, regulators tend to be wary of widening the scope of their work. Frequently, they do not have the will, responsibility, authority or the funding to facilitate trade.

Lack of formulas to reduce TBTs

There are no simple modalities which would lead to the elimination of unnecessary TBTs. Although some broad approaches, such as MRAs exist, practical solutions must typically be found on a sector- or product-specific basis.

The Role of APEC

Promoting Consistency within the APEC region

APEC economies already acknowledge the importance of reducing TBTs through their Individual and Collective Action Plans, as well as in the Trade Facilitation Action Plan.

In addition APEC economies are entering into bilateral and sub-regional mutual recognition and other arrangements covering TBTs. To date, however, insufficient thought has been given to how those arrangements will interact when goods, particularly components, are accepted under one of those arrangements and are then exported to a third economy which is party to a second arrangement. The risk is that a "spaghetti bowl" of rules will hinder rather than promote trade.

APEC is in a unique position to create benchmarks and frameworks to improve the consistency in approach to TBTs between individual economies, as well as bilateral and sub-regional arrangements. It could improve its performance in this area through the following five steps.

1. Encouraging Co-operation between Organisations with Trade and Regulatory Responsibilities

As noted above, trade or foreign affairs officials may not necessarily have expertise in issues involved in TBT. Trade ministries can however be instrumental in broadening the focus of regulators, but especially in economies that lack a strong culture of intra-government co-operation, political direction at senior levels is required to establish those links. The

CTI and SOM could usefully explore ways to assist this process, such as by using the leaders and ministers process in APEC to focus attention on the importance of this issue and encourage their regulators (in the case of regulated areas) or appropriate agencies or institutions to participate directly in programmes aimed at dealing with TBT and related issues.

2. Fostering Regulator-to-Regulator Dialogue

Trade negotiators may be instrumental in setting up and monitoring initiatives to address TBTs but technical regulations (mandatory requirements) and standards (voluntary) are highly complex, usually comprehensible only to specialist technical experts. The international and regional specialist bodies - (the International Labour Accreditation Congress - ILAC, International Accreditation Forum – IAF, Asia Pacific Laboratory Accreditation Congress – APLAC, Pacific Accreditation Congress – PAC,) have successfully addressed many of the TBTs facing the voluntary sector. In the regulatory area, however, serious problems remain such as the use of different standards and conformity assessment and regulatory intervention models. Only government regulators have the authority to resolve these problems, and thus **regulator to regulator dialogue is essential.**

The SCSC has already experienced the need to have regulators involved in discussions of standards issues. To address the lack of regulator involvement in the EEMRA context, some delegates at the APEC EEMRA Seminar held in Bali in August 2005, suggested a rule that regulators must lead delegations at EEMRA Joint Advisory Committee (JAC) meetings since the structure and content of regulatory systems is crucial to further developing this Arrangement.

3. Greater involvement of the private sector in standards dialogue

The role of the public and private sector with respect to standards differs across APEC economies. This makes it important not to limit the scope of APEC's work to government officials, and to provide opportunities for input by standards bodies and the private sector.

Moreover there is in reality no clear distinction between “public” and “private” standards. Although the WTO TBT Agreement defines standards as voluntary and technical regulations as mandatory requirements, voluntary standards produced by standards bodies or industry associations become mandatory if they are a pre-condition for

insurance or cited in regulations. Rather than viewing privately developed standards simply as voluntary, it would be more useful to consider the effect that standards have on market access and to include private sector standards makers and enforcers, where relevant, in regulator to regulator dialogue.

A strong APEC focus on regulator-to-regulator dialogue and ensuring that relevant stakeholders participate in standards and conformance related activities has the potential to advance the objectives of the WTO TBT Agreement and APEC's Trade Facilitation Action Plan.

4. Establishment of a framework for co-ordinated, regular dialogue and joint action in priority sectors

TBTs occur across a wide range of sectors, and APEC economies have differing approaches to reducing TBTs across these sectors. For example, in some APEC economies regulations on conformity assessments and compliance measures are dealt with by a single regulator across all sectors, while in other economies sectoral regulators have those responsibilities. This suggests that problems usually need to be considered on a sector-by-sector basis to achieve tangible results.

Currently the CTI has a Sub-Committee on Standards and Conformance (SCSC) which was set up as a specialist body to handle these issues. The SCSC has done some credible best practices work on standards and technical regulations. More could be done, but only if there is more credible participation from the APEC membership in order to enhance the SCSC's focus on work in the TBT area.

In addition to the SCSC, APEC also has a number of working groups and other mechanisms which provide opportunities for regular sector dialogue. Some of these are groups that report to the SCSC. These include APEC EEMRA and the Food MRA pathfinders, dialogues with ABAC on standards related topics, and industry dialogues in areas such as chemicals and automobiles. However, these initiatives are not set within an explicit framework which provides for co-ordinated, regular dialogues and joint action involving both regulators and the private sector.

A well developed framework for sector dialogues, including existing groups and others that might be set up in other priority sectors, would provide a real opportunity for regulators and the private sector to:

- Exchange information on business concerns in the sector;
- Exchange information on international standards development and adoption in the sector;
- Explore ways to promote transparency;
- Create matrices comparing adherence to, and deviations from, international standards;
- Promote good regulatory practice;
- Exchange information on product certification, pre-market regulatory approvals, product surveillance and incident data;
- Develop closer relationships with the Special Regional Bodies and ways to build greater confidence in, and reliance on, MLAs;
- Explore options for co-ordinating conformity assessment and compliance measures;
- Develop and maintain systems, underpinned by agreements, to exchange information on hazard alerts, product bans and recalls;
- Develop enforcement protocols; and
- Develop joint actions to address specific issues, where appropriate

In order to ensure the effective management of such initiatives, there is a need for a degree of administrative support that individual Economies are not usually able to provide but which could be provided through the APEC Secretariat. In addition, there could be a need to give preference to the funding of capacity building and regulatory co-operation projects that form part of the strategic plan developed by these groups.

For example, the SCSC is already meeting twice a year. Hence as a start, what could be looked at is how these meetings could include specialist group discussions to allow sufficient time for regulators to network, exchange information, explore options for regulatory co-ordination, and arrange visits to conformity assessment bodies to build capacity and confidence in each other's systems.

In addition, the model used by the ASEAN Consultative Committee on Standards and Quality (ACCSQ) could also provide some useful guidance to APEC as it considers how to operationalise this concept. The ACCSQ is endeavouring to harmonize national standards with international standards and implement mutual recognition arrangements on conformity assessment to achieve its end-goal of "One Standard, One Test, Accepted Everywhere". To achieve this, it has set up regulator working groups in priority areas. These working groups meet on a regular basis to discuss and work through issues arising from different standards and systems of conformity assessment.

To facilitate regulator to regulator dialogue which also involves the private sector, APEC should establish a framework for coordinated, regular sector dialogues and joint action in priority sectors.

5 Co-operation with Specialised Regional Bodies

Cooperation through the mechanisms discussed above will not be sufficient to resolve all issues. It will be important for the SCSC and other groups to work closely with Specialised Regional Bodies¹ responsible for issues such as standard-setting, conformance and metrology to ensure that the regional framework in these areas is conducive to greater cooperation. Proposals for such cooperation have already been endorsed by the SCSC (see 2006/SOM1/CTI/SCSC I/012 Rev.1).

¹ Asia Pacific Laboratory Accreditation Cooperation (APLAC), Asia Pacific Metrology Programme (APMP), Asia Pacific Legal Metrology Forum (APLMF), Pacific Area Standards Congress (PASC) and Pacific Accreditation Cooperation (PAC).

Summary

More effective work by APEC to deal with standards-related barriers can be achieved through the following steps:

- Encouraging co-operation between organisations with trade and regulatory responsibilities;
- Fostering Regulator to Regulator dialogue;
- Greater involvement of the private sector in standards dialogue;
- Establishment of a framework for co-ordinated, regular dialogue and joint action in priority sectors with adequate administrative support;
- Cooperation with Specialised Regional Bodies

It is proposed that these elements be incorporated in the next TFAP. The SCSC and CTI would be mandated to implement these measures.

ANNEX

HOW SOME TBT TRADE FACILITATING MEASURES WORK

Conformity Assessments

Conformity assessment requirements in export markets that are not necessary to meet legitimate regulatory objectives, can result in significant compliance costs and are the source of the most significant TBTs. In many cases products must be re-tested in laboratories in export markets, sometimes to different standards from those operating in their domestic market, but often to standards based on the same international standard. Companies incur transport costs and face complications at the border because products cannot enter the Economy without a test report but cannot get a test report until it enters the Economy. To overcome difficulties of this nature they find it necessary to hire local consultants to facilitate the process. Delays in reaching the market place can inhibit a company's potential to capture market share.

Exporters often find it necessary to send their own experts to the importing Economy to consult with the laboratory producing test reports. Language barriers lead some companies to adopt export strategies based on a common first language. For SMEs the costs can be prohibitive.

Frequently regulators in export markets require their own inspectors and certifiers to carry out assessments in overseas manufacturing plant. This not only creates high compliance costs for industry but strains the resources of the regulators in the importing country.

In the voluntary sector, international and regional multilateral arrangements (MLAs) between accreditation agencies² have been largely successful in eliminating TBTs i.e. through the acceptance of conformity assessment results from MLA members because of confidence in their peer evaluation processes. If regulators were to place greater reliance on MLAs, there would be a similar effect on regulatory requirements.

Standards

² ILAC, IAF, APLAC and PAC

There are 3 basic kinds of standards:

- Product standards that relate to characteristics of a product;
- Standards on the methodologies for assessing conformity to standards; and
- Standards for accreditation agencies³ to assess the competence of laboratories, certifiers and inspectors to carry out specific conformity assessments.

The more closely standards and technical regulations resemble each other, the easier it is for regulators to understand them. It is also easier for industry to understand requirements and to manufacture to one set of criteria. If deviations that are essential to take local circumstances into account are kept to a minimum, these can be isolated, with regulators agreeing to additional testing or certifying in those areas, rather than full re-testing. This is why international standardisation is so important.

Too much rigidity may also lead to prescriptive rules that stifle innovation and do not accommodate local variations in approaches to solving problems. Fortunately, product standards work on two levels: they can set outcomes and they can prescribe methods to achieve those outcomes. If outcomes are the same, regulators are still able to rely on equivalency of their regulations without compromising their risk management strategies.

APEC's role is not to develop regional standards which would only add confusion to the international environment, but to promote APEC involvement in developing and implementing international standards. With Economies in the region entering bilateral arrangements to reduce TBTs, it is important that there is cohesion between those arrangements so that goods, particularly components, can move freely throughout the region.

Compliance Measures

A regulatory regime not only comprises standards, technical regulations and conformity assessment requirements but also the surveillance measures to ensure that mandatory requirements are met. These may take the form of pre-market approvals, batch testing at borders, suppliers' self-declarations and post market surveillance of wholesale and retailer outlets. Regulators may take differences in approaches to monitoring compliance that also create TBTs. Regulators need to

³ Third Party Accreditation is a system of double auditing. Accreditation agencies assess the ability of conformity assessment bodies to carry out conformity assessments to particular product standards.

explore ways to eliminate these differences, or alternatively, the most effective ways to co-ordinate them.

Access to Information

The lack of information on standards, technical regulations, conformity assessment requirements, recognised test laboratories, inspectors and certifiers and requirements for pre-market approvals and self declarations of conformity is a problem for industry. The WTO TBT Agreement notification and inquiry points were set up to help address some of this information gap but a great deal more work is required to set up databases which would meet industry needs by consolidating information on all of the requirements that relate to specific products.

National databases of this kind would also assist regulators to identify areas of commonality and those where significant differences are present.

Transparency

Transparency is a primary objective of the WTO TBT Agreement. It transcends access to information on voluntary and mandatory requirements. It also relates to exchanges of information on why a standard, technical regulation and/or conformity assessment is not accepted.



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Trade Facilitation: New Zealand Business Survey

Submitted by: New Zealand



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Trade Facilitation: New Zealand Business Survey

Since 2002 APEC has been carrying out a programme to reduce trade facilitation costs by five percent by 2006. This year APEC is designing a follow-on programme to achieve another five percent cut.

In order for future trade facilitation work to be targeted on areas of most interest to business, New Zealand ABAC and government agencies surveyed local businesses on their views. A questionnaire was formulated using the objectives and actions identified in APEC's Trade Facilitation Action Plan. Responses have been received from 19 export-related businesses¹ and 5 logistics companies.

Responses indicated that few companies believed that trade facilitation costs had fallen since 2002. Many said that they faced higher costs due to secure trade requirements. From the four areas covered by APEC's trade facilitation agenda, customs and standards were most commonly identified as the area for more attention. However within the four areas there was support for further improvements across a wide range of specific issues.

¹ To put this figure in perspective, it has been estimated that in New Zealand 165 companies account for 75% of exports.

<u>ISSUE AREA</u>	% support
MOVEMENT OF GOODS	
1. More information should be made publicly available on customs and other trade-related laws and regulations. Examples: information available through the internet or inquiry points; opportunities for consultation when rules are changed.	70
2. Trade procedures should be made more appropriate, transparent and predictable through consistent, non-discriminatory implementation. Examples: swift clearances for low-risk cargoes; no inappropriate exercise of Customs authority; documents issued without delay; simplified procedures for refund of duties; minimise sureties.	79
3. There is still a need for tariff structures to be harmonised with the HS Convention and periodic updates implemented by the due date. Examples: binding tariff classifications; classification rulings are soundly based.	50
4. The customs value of goods is determined in a consistent and fair manner. Examples: consistency with WTO Customs Valuation Agreement (eg no minimum import prices); binding valuation decisions;	41
5. Customs procedures require further simplification and harmonisation. Examples: expeditious clearance of conforming goods; effective advance ruling process.	70
6. There is still a need for paperless systems to be introduced for trade-related procedures, or improvements made to existing systems. Examples: secure, inter-operable systems; single-window web-based systems; systems covering cargo manifests, quarantine documents, certificates of origin; paperless systems require follow-up with hardcopy documents.	83
7. There is still a need for clear appeals provisions for customs rulings, or improvements to existing appeals provisions. Examples: provision of written rulings; rulings are published.	25

8. There is still a need for risk management systems that focus on high-risk goods and facilitate the movement of low-risk shipments, or improvements to existing systems. Examples: reporting systems for traders to declare dangerous goods.	70
9. There should be a more effective system in place for clearing express consignments. Examples: dedicated clearance windows; round-the-clock clearance service.	46
10. There should be improved procedures for temporary importation of goods, eg commercial samples, professional equipment etc. Examples: standardised procedures; dedicated clearance window	54
STANDARDS	
1. There should be more alignment of national standards with international standards and more steps taken to ensure that mandatory technical regulations do not create obstacles to trade or unjustifiable costs. Examples: national standards consistent with ISO, IEC (electronics), CODEX (food), GHS (chemicals) etc; mandatory technical regulations reflect good practice.	58
2. There is still a need to ensure that conformity assessment results from a technically competent body are accepted by other APEC members. Examples: adoption and recognition of Mutual Recognition Arrangements.	50
3. There is still room to improve access to information regarding national standards and conformance regimes in APEC members. Examples: contact points for technical information; comprehensive information about conformity assessment bodies.	54
BUSINESS MOBILITY	
1. More steps are needed to improve international travel arrangements for business people in the APEC region. Examples: improve operation of the APEC Travel Card; streamlined visa procedures for intra-company transferees; electronic submission of temporary residence applications.	50
ELECTRONIC COMMERCE	
1. There are still obstacles to international electronic commerce in the APEC region which should be removed. Examples: interoperability between government and business in on-line transactions; systems in place for authentication, confidentiality and non-repudiation of transactions; competitive and affordable e-commerce suppliers; e-government procurement systems.	50

MISCELLANEOUS	
1. Have trade facilitation costs for your business fallen in recent years, ie due to improvements in customs, standards, business travel or e-commerce?	6
2. Of the various issues mentioned in this survey where would your business <u>most</u> like to see improvements made.	
- Customs procedures (documents, fees etc)	29
- Standards issues	25
- Business mobility	4
- E-commerce	0
- No response	37