

**CUTTING THROUGH**

# RED TAPE

**red tape** [after the tape commonly used to tie official papers], 1. official forms and routines; hence, 2. rigid application of regulations and routines, resulting in delays and exasperations in getting business done. - *Webster's New World Dictionary*

## Cutting Through Red Tape: New Directions for APEC's Trade Facilitation Agenda

APEC has entered the second decade of its existence facing challenges that are substantially different from those of the first decade. In the area of trade policy, APEC remains committed to the Bogor goal of “free and open trade and investment ” by 2010/2020, but is under increasing pressure to show tangible progress toward meeting this target. The difficulty in achieving “concerted unilateral liberalization” was demonstrated by the unsuccessful experience with “Early Voluntary Sectoral Liberalization” (EVSL) in 1996-99, and it is unlikely that there will be renewed attempts at this type of effort in the near future. The discussion in APEC has instead shifted to bilateral and regional trading agreements (RTAs), and whether these are “building blocks or stumbling blocks” for multilateral trade liberalization.<sup>1</sup> As many as half the members have announced in the past year that they are pursuing or investigating some form of bilateral or sub-regional trading arrangement.<sup>2</sup>

Notwithstanding the political difficulties of further tariff cuts by APEC members and the shift in attention to RTAs, this paper argues that APEC as an organization has ample room to aggressively pursue the Bogor goals through its trade facilitation agenda. Trade facilitation policies are not contingent on tariff reduction in APEC as a whole or indeed on progress in the multilateral trading system.

There is no single definition of trade facilitation. The term generally refers to the simplification of procedural and administrative impediments to trade, such as customs administration, standards and technical regulations, and barriers to the mobility of business people. Trade facilitation in APEC is also known as business facilitation, or in popular jargon “cutting red tape.” Indeed the business community has long advocated that greater attention be placed on trade facilitation issues, because of the direct impact that customs delays, multiple testing requirements, and business mobility barriers have on costs to consumers.

The benefits of trade facilitation are not exclusive to the business community. Trade facilitation reform can generate significant welfare gains for the economy as a whole. The APEC Economic Committee has estimated that trade facilitation measures committed to date will add 0.25% of real GDP to APEC (or about US\$ 46 billion in 1997 prices) by 2010, compared to economic gains from trade liberalization measures (tariff removal) amounting to 0.16% of real GDP (about US\$ 30 billion). Finger and Schuler (2000) point out that “trade facilitation issues. . . are more difficult to reform than mere tariff rates, but are probably becoming more important as tariffs fall and global supply chains come to dominate production and trade.”<sup>3</sup>

APEC can rightly claim leadership in identifying trade facilitation as a priority, going back to the formation of the organization in 1989. APEC leaders, ministers, and senior officials have consistently emphasized the importance of facilitation, as has the APEC Business Advisory Council (ABAC) and many prominent APEC commentators. Some of APEC's accomplishments in trade facilitation include the 1997 "Blueprint for APEC Customs Modernization: Working with Business for a Faster, Better Border," the APEC Business Travel Card, and more rapid exchange of information and increased transparency in testing and certification requirements in the region. In general, however, APEC's facilitation agenda has taken a back seat to trade liberalization, especially during the period 1996-1999 when attempts at "concerted unilateral liberalization" – epitomized by EVSL – dominated the focus of senior APEC policymakers.<sup>4</sup>

Trade facilitation has not had the same intellectual standing as liberalization, nor did it attract the same attention from top APEC policymakers because it has been seen as highly technical, painstaking, and expensive to implement. Facilitation has been seen as the "plumbing" of trade policy – essential but not attention grabbing, for either APEC leaders or the media. As a result, while acknowledged as important, trade facilitation activities within APEC have tended to take place on the margins of the organization and in a piecemeal fashion. It was only in 1999 that the APEC leaders, meeting in Auckland, agreed to draft a set of trade facilitation "principles" to guide further work.

As part of an attempt to explore the development dimensions of trade facilitation and examine problems and prospects in APEC's trade facilitation agenda, the Government of Canada together with the World Bank and the Asia Pacific Foundation of Canada organized a workshop in Singapore in September 2000, focusing on "new directions and the development challenge" for APEC's trade facilitation agenda. The workshop focused on four facilitation areas – customs procedures, standards and technical regulations, labour mobility, and e-commerce.<sup>5</sup> Some of the examples referred to at the workshop, and in this paper, are not from APEC member economies. They are nevertheless relevant to many APEC members' experiences and economic prospects.

A number of themes emerged from the workshop. These included:

The need to build on complementarities and synergies in trade facilitation across different sectors, which argues for a horizontal approach to facilitation issues within APEC;<sup>6</sup>

The importance of involving the private sector in APEC's trade facilitation efforts. Concomitantly, APEC needs to better communicate its facilitation activities to the business community;

The developmental impact of trade facilitation and the fundamental role of technical assistance in helping less-developed economies implement facilitation measures.

### **The Unexplored Synergies in Trade Facilitation**

APEC's work in trade facilitation consists of a number of disparate working groups and sub-fora. Each group focuses narrowly on a particular area, for example, standards and conformance, customs procedures, e-commerce, and mobility of business people. The Singapore workshop was a rare opportunity for experts to exchange views and to look for commonalities and synergies among the different trade facilitation areas.

Trade facilitation taken as a whole has the potential to be greater than the sum of its parts. For example, a study of cargo clearance times at Tanjung Perak port in Indonesia, conducted under the auspices of the World Customs Organization, shows that customs procedures are only one aspect of improving the overall efficiency of the cargo clearance process. The study found that the customs clearance process for certain shipments took an average of 6.4 minutes, compared to 159 hours and 23 minutes for other activities involved in cargo clearance. The main sources of delay included incomplete documents; red tape involved in releasing goods from godowns; documentation errors; payment hold-ups; and deliberate delays in delivery, even after the release of goods by customs officials. Another study by the Japan Customs and Tariff Bureau shows that the biggest reduction in total elapsed time from cargo arrival to release between 1991 and 1998 was in the plane-to-warehouse and time-in-warehouse stages of the process.<sup>7</sup>

The relationship between standards/technical regulations and customs administration is also instructive. As Wilson (1995) noted in his review of APEC's standards agenda, APEC can foster private-sector leadership in standards, and this relates directly to reform in customs procedures.<sup>8</sup> Customs officials turn products failing to meet import standards away. This is a problem of non-compatible standards or the non-availability of conformity assessment. Yet, even products that meet import standards may be held up at the border due to inefficient customs administration, resulting in higher costs to producers and consumers. A trade facilitation initiative should therefore encompass the entire trade transaction cycle rather than focusing individually on, for example, standards harmonization or customs modernization alone. Meeting this objective, will be difficult as it involves a diverse set of actors, but there is limited prospect of a breakthrough in trade facilitation initiatives unless the old vertical or "stovepipe" approach to trade reform is augmented by a horizontal approach to removing the impediments to trade.

Many APEC developing economies have established cargo clearance automation as a priority. However, this has in many cases been limited to

functions directly performed by customs services, leaving a range of other authorities involved in the clearance system unable to provide the same level of service. The need for system integration extends beyond government agencies and should eventually include other players involved in trade, including: transportation companies, customs brokers, forwarders, banks, etc.

Although e-commerce is not an impediment to trade, it is a trade facilitation issue because of its vast potential to further international trade. In the customs area, an Internet-based e-commerce platform offers exciting possibilities for modernizing customs administration, supplanting the limited and outdated Electronic Data Interchange standard used in some countries. The synergies of reform between electronic commerce and standards are also clear. Open standards systems based on voluntary market-driven standards promote success in IT and telecommunications, the foundations of electronic commerce.<sup>9</sup>

Fundamentally, building an effective e-commerce infrastructure requires a commitment by government to simultaneous reforms in a number of sectors. These reforms can be synergistic and they can contribute to a trade facilitation architecture that domestic firms (including SMEs) can exploit for international trading activities. A company's adoption of e-commerce, opens it up to selling in a global marketplace, or at least having its products or services known to users around the world. A commitment to building a national e-commerce infrastructure is therefore tantamount to a commitment to trade facilitation.<sup>10</sup>

The interplay between e-commerce and trade facilitation issues, such as customs, is demonstrated in the case of a Sri Lankan clothing cooperative which was given the chance to fill a large order by a major retail chain in Europe. The order was contingent on a performance-testing contract, which had to be completed within 72 hours. If the order was completed in the specified time, the cooperative would win a long-term contract for apparel items of much higher value added than the current type of product for Sri Lanka. Speed was the most important performance element. The cooperative had to download the order and design from the retail chain, produce the garments and get the goods to port. By using e-commerce the cooperative assembled the shipment well in advance of the deadline. Unfortunately, the shipment was held up at the local port because of red tape, leading to a missed deadline and a lost sales opportunity.<sup>11</sup>

### **A Business Perspective: Reducing Transaction Costs**

From a business perspective, trade facilitation is about reducing transaction costs in cross-border trade, without compromising the need for consumer protection, health, safety, or public security. The transaction cost approach appeals to business because it treats the trade process in its entirety rather than as discrete, self-contained elements such as customs procedures, standards and technical regulations, etc. Such a perspective attempts to identify cost savings throughout the transaction cycle, rather than looking at efficiencies in only one

part of the cycle. From a public policy perspective, this way of thinking might be described as a “trade facilitation mentality” because it looks for complementarities and synergies in a variety of trade facilitation issues, rather than focusing on improving efficiencies in single areas.

There is a strong case to be made for the private sector to be closely consulted in the design of trade facilitation initiatives and for governments to adopt more of a “transaction cost” mentality in dealing with facilitation issues. Business and industry organizations have long argued that trade facilitation is an important issue and estimates of the “deadweight costs” of paperwork range from 5-15% of the landed value of all merchandise. A recent survey commissioned by the APEC Business Advisory Council (ABAC)<sup>12</sup> found that business people in the APEC region rank customs procedures as the most pressing trade impediment, followed by administrative regulations -- another source of “red tape.” Tariffs, the traditional focus of “high” trade policy, was ranked third. The survey also suggests that business people know very little about what APEC is doing in the area of standards, customs, or business mobility. Even among those who are aware of APEC’s work in these areas, fewer than 20% consider APEC to be effective. Clearly, there is a need for APEC to work more closely with the business community on such issues.

The need to involve business is as much based on the value of consulting with end-users as it is to do with changing patterns of international business, where global production networks, intra-industry trade, and the use of business-to-business (B2B) e-commerce have become much more important than in the past. The ability of multinational companies to track their components and parts at any point in their global networks should translate into faster customs clearance times. There is no reason why customs administrations should not work more closely with global logistics companies and expedited delivery (courier) services, for example, in developing systems to move goods more efficiently across borders. APEC has already set a precedent in this regard through its innovative partnership with Federal Express on the APEC tariff database.<sup>13</sup> In addition to cost, one of the most important barriers to customs modernization is the lack of shared confidence between traders and customs officials – another compelling reason for involving the business community more closely in APEC’s trade facilitation agenda.

## **Trade Facilitation and Economic Development**

Trade facilitation is a priority issue for business. Simultaneously, there are wider benefits of facilitation initiatives for developing economies, including benefits to consumers, small businesses, and rural populations. The importance of trade as an engine of growth, with its longer-term impact on poverty alleviation, should not be underestimated.<sup>14</sup> World Bank studies over the past decade have outlined this relationship in many economies, including developing economies in the Asia Pacific.<sup>15</sup> An OECD study shows that many developing economies face supply-

side constraints in trying to expand their exports, despite structural reform. Part of this constraint has to do with the lack of intermediate institutions needed to meet the quality requirements of developed economy markets – a classic trade facilitation issue.<sup>16</sup>

In general, small and medium size enterprises (SMEs) constitute a more significant share of the business sector in developing economies than of developed economies. Trade impediments in turn typically constitute a larger share of SMEs' costs than of larger companies. The burden of administrative and procedural requirements for cross-border trade can, therefore, be a deterrent for SMEs to engage in international transactions.<sup>17</sup>

Trade facilitation, in its broadest sense of a package of regulatory reforms, has the potential to go far beyond simply growth in trade volumes. By boosting efficiency, strengthening governance, and increasing transparency in government administration, facilitation initiatives fundamentally build a more robust economy.

In the context of regional trade agreements, many trade facilitation initiatives can be considered “deeper integration,” in contrast to the “shallow integration” of tariff reduction. The World Bank points out that these initiatives make it more likely that gains from trade liberalization are realized: “The benefit of implementing as deep a range of measures as possible – and extending them into areas such as service trade – is that it will force firms to compete directly.”<sup>18</sup>

The obstacles faced by developing economies in undertaking trade-related regulatory reforms are, however, considerable. In the standards field alone, the list would include issues such as:

- Lack of awareness concerning international standards obligations;
- Lack of coordination between agencies;
- Lack of trained personnel and effective means of communication/data processing;
- Lack of national infrastructure and of conformity assessment facilities to ensure compliance;
- Lack of harmonized methodology for preparation of technical regulations;
- Difficulties in meeting requirements of international standards.<sup>19</sup>

Nonetheless, the establishment of standards and conformity assessment infrastructure in developing economies is an important concomitant to international trade. Standards and technical regulations can constitute a barrier to trade, but the solution is clearly to expand systems based on private market forces and to continue the process of liberalization and removal of barriers.<sup>20</sup> In fiscal year 1999, the World Bank estimates that it funded projects supporting standards and related infrastructure and reform initiatives worth approximately US\$ 420 million. These projects provided assistance to developing economies in

such areas as adopting international conventions of standardization, simplification of documentation, investment in standards infrastructure, and adoption of ISO 9000 and ISO 14000. There were also projects supporting access to information technology; providing packaging and quality control advice; regulatory reform; and the design of health, safety, and environmental regimes in a variety of industry sectors.

Customs modernization can be an expensive, time-consuming undertaking for developing economies. The cost of computer hardware alone is considerable. Nevertheless, there are ways of leveraging investments in telecommunications and e-commerce infrastructure as well as leapfrogging to the latest technologies.

Developed economies will continue with their drive for customs modernization. The United States, for example, is undertaking a long-awaited move toward a system in which entry information, corrections by the importer, collection of tariffs, and post-entry compliance audits are handled like an annual tax return rather than as a series of individual transactions. As part of the North American Free Trade Agreement (NAFTA), Canada, the United States and Mexico – all members of APEC – are working on customs harmonization procedures that will reduce customs-clearance burdens on shippers as well as on customs administrations. It is in the interest of both developed and developing economies to encourage the diffusion of such efficiency-enhancing systems throughout the world, and to use development cooperation as a means of transferring skills and technology to less-developed economies.

APEC is unusual in having both trade facilitation and development cooperation (or “Ecotech” -- economic and technical cooperation) as stated priorities, in addition to the priority of trade liberalization. Even though the Ecotech agenda is still in its infancy and there continues to be confusion over the purpose of Ecotech, a review of Ecotech projects suggests that many APEC members see Ecotech, in practice, as a *delivery mechanism* for technical assistance in the area of trade facilitation. This is a practice that should not only be encouraged, but also given credence at the highest level.

### **New Directions for the APEC Trade Facilitation Agenda**

APEC’s institutional style – characterized by consensus decision-making and voluntary actions on the part of members – is inimical to negotiated tariff reductions, which is one of the strengths of the WTO. Conversely, the WTO, which began exploratory work on trade facilitation at the 1996 Ministerial Meeting in Singapore, may be limited in its ability to address broad trade facilitation issues within its binding rules-based framework.<sup>21</sup> Trade facilitation initiatives typically do not generate the intense horse-trading and bid-offer approaches of traditional trade negotiations. The challenges of trade facilitation have much more to do with implementation and the associated problems of expertise, financial resources, and government commitment to reform.



What then are some concrete actions that APEC can take to advance its trade facilitation agenda?

### **Establish a high-level trade facilitation focus, which includes a development perspective within APEC**

Most of APEC's facilitation activities are conducted by sub-groups of the Committee on Trade and Investment (CTI), for example services, investment, standards and conformance, customs procedures, intellectual property rights, government procurement, market access and mobility of business people. While all of these groups perform useful work in their own right, they operate in isolation from each other and there is little opportunity to build on complementarities and synergies among the groups. A high-level focus on trade facilitation, perhaps through a stand-alone committee or sub-group, could go a long way in strengthening facilitation activities across APEC fora. For example, this committee might be charged with a) championing trade facilitation issues in APEC; b) strengthening the link between trade facilitation and Ecotech; and c) exploiting synergies among facilitation areas through research, project design, and networking activities.

It may be argued that the last thing APEC needs is another committee. Indeed, there is a tendency in many organizations to gloss over problems by setting up committees. The proposed trade facilitation committee or sub-group is not immune to this danger. One solution is to establish a finite lifespan for the committee, say five years, at the end of which the group automatically disbands. If anything, the measure of success for this committee will be precisely that it has accomplished the objectives set up above and is therefore no longer needed. Practically speaking, the CTI has already set up a task force on Trade Facilitation, which constitutes a de facto prototype of the sub-group that is envisaged. At the least, this existing task force should be allowed to develop a broader mandate than the current narrow task of drawing up trade facilitation principles. It should also be given a higher profile, through activities such as an annual Trade Facilitation Report and a Trade Facilitation Ministerial, which are described below. This task force would also serve to spearhead the development of Collective Action Plans in the area of trade facilitation.

### **Renew trade facilitation objectives and establish performance targets rather than looking to measure inputs only**

There is scope for enhancing the effectiveness of work programs within specific trade facilitation areas. On the basis on information provided in the Individual Action Plans (IAPs), some groups such as the Sub-Committee on Customs Procedures (SCCP) appear to have largely met the objectives set out in the Osaka Action Agenda and Manila Action Plan for APEC (MAPA).<sup>22</sup> In such

cases, there is an urgent need to establish new objectives and to renew the work plans. Any objective-setting exercise should, however, shift its focus away from simply measuring inputs (e.g. adoption of the WTO Valuation Code) to achieving performance targets (e.g. reducing cargo clearance times by 50% over three years). This should include economic analysis of the benefits of reductions in non-tariff barriers tied to the trade facilitation agenda.<sup>23</sup>

This goal represents the sort of results that businesses are interested in hearing (performance rather than actions) and can go a long way toward improving APEC's dismal rating by the business community.<sup>24</sup> More generally, APEC should consider setting broad trade facilitation performance targets which are consistent with the Bogor timeline. For example, APEC members could commit to a target of 50% reduction in cross-border transaction costs by 2010, and spell out the general areas where these savings will be generated.

**Encourage senior officials from “trade facilitation” line departments and development agencies and not just from trade and foreign affairs ministries, to be more engaged in APEC fora**

Trade facilitation issues involve a substantially different set of policy concerns, actors and interests from traditional trade liberalization or market-access issues. Yet, most trade fora, including APEC, tend to be dominated and led by government departments with expertise in the traditional areas. Facilitation activities require highly specialized sectoral expertise, drawing from diverse line departments, quasi-government or non-government agencies, and from industry itself. One cannot expect to see rapid progress in facilitation issues unless sectoral ministries are also actively engaged, along with private-sector representatives. The inclusion of sectoral ministries in international cooperation is a relatively new phenomenon, driven by the globalization of (previously) domestic policy issues.<sup>25</sup> As a result, many government departments are finding international dimensions to their domestic mandates. However these same departments often lack an explicit mandate or budgetary resources to participate fully in international cooperation fora such as APEC, and they depend on the largesse of the foreign affairs, trade, or development cooperation ministries. One consequence is that these departments send relatively junior staff to participate in working groups – with the predictable outcome that the decisions taken at working groups are often timid, and the commitment by senior officials to follow-up only lukewarm. Ultimately, for APEC's trade facilitation agenda to be taken seriously by outsiders, the right officials within APEC must recognize its value.

To encourage participation of senior trade facilitation officials, APEC should demonstrate a high-level commitment to facilitation issues in tangible ways. One such mechanism might be a “Trade Facilitation Ministerial” that would bring together ministers from development, trade and other trade-related ministries, to demonstrate the cross-cutting and inter-departmental nature of the issues. One of the deliverables at this Ministerial would be a “Trade Facilitation Report” that

brings together the various facilitation initiatives in APEC and which clearly demonstrates the synergies or potential synergies among different initiatives. It should also include a clear statement of APEC's commitment to development and Ecotech in trade facilitation, and provide an opportunity for APEC members to propose specific technical assistance projects.

### **Ensure trade facilitation is an Ecotech priority**

The Ecotech agenda positions APEC firmly at the nexus of trade facilitation and development cooperation. While APEC is not a development agency and has limited budget to support Ecotech projects, individual APEC developed member economies are in a position to draw on their development assistance budgets for Ecotech activities. APEC developed member economies should earmark funds for development cooperation in trade facilitation for less developed APEC members. By identifying trade facilitation as a clear Ecotech priority, there would be greater scope and opportunity for APEC donor coordination around Ecotech projects. The proposed Trade Facilitation Committee could play a leadership role in mobilizing Ecotech for facilitation activities and in coordinating the efforts of donor economies. These efforts would feature prominently in the Trade Facilitation Report referenced above.

### **Invest in trade facilitation research and capacity building**

Trade policy research is a well-established discipline with a formidable body of work generated especially by the economics profession. Very little of this work, however, has focused on trade facilitation issues. For example, the models used to estimate welfare gains from trade facilitation are crude compared to techniques for estimating the benefits of tariff reduction. Relatively little is known about the spill-over effects of trade facilitation measures on economic reform in general. Research on standards and technical regulations as barriers to trade and on best practices in establishing standards infrastructure are also scarce. One good source of direct experience and best practice is the private sector. Studies from the logistics industry of customs issues provide good examples. However, there is clearly a void in public policy and academic research on facilitation issues. Research on measuring the benefits of trade facilitation would provide a stronger foundation for APEC to set clear performance targets for trade facilitation, such as the example of a 50% reduction in cross-border transaction costs by 2010. While APEC is not a research organization, raising the profile on the importance of economic analysis, especially in areas related to the costs of non-tariff barriers and investing some resources in research would be consistent with an enhanced emphasis on trade facilitation. This initiative could be coordinated by the proposed Trade Facilitation Committee or sub-group working with the Economic Committee and outside experts.

### **Brunei and Beyond**

As the Bogor goal of 2010 and 2020 draws closer, the world will be looking more carefully at what concrete steps APEC is taking toward its stated goal of “free and open trade and investment.” With limited scope in the near term for Most-Favoured Nation tariff cuts, the impetus for further progress will have to come from trade facilitation initiatives. As a pioneer among regional trade fora in identifying trade facilitation as a priority area, APEC has made important strides in areas such as standards and technical regulations, customs administration, and mobility of business people. These accomplishments have in turn led to a greater appreciation of the importance of trade facilitation and of the interconnectedness of diverse trade facilitation areas. The time is right for APEC to now give meaning to trade facilitation as a priority area by putting in place the institutional support for facilitation activities across all APEC fora. This is an opportunity that the APEC Leaders meeting in Brunei Darussalam should grasp, and hand over to China’s leadership beginning in 2001.

## **SIDEBAR 1: The Economic Impact of Trade Liberalization and Facilitation in APEC**

Independently, APEC trade facilitation measures committed to date expand the region's income by an approximate US\$ 46 billion. APEC trade liberalization and facilitation measures committed to date expand the region's annual income (GDP) by an estimated US\$ 75 billion (at 1997 prices), or 0.4% of the region's total GDP. In addition to this estimate of income gains from the trade liberalization and facilitation measures *already committed to* by APEC members, the APEC Economic Committee also estimated the potential gains from total tariff elimination and "further progress" in trade facilitation. The results suggest that total tariff elimination will add about US\$ 87 billion or 0.5% of GDP in 1997 prices. Using a crude estimate of 2-3% reduction in import costs from trade facilitation measures, the Economic Committee concluded that "full" trade facilitation would lead to income gains of around US\$ 64 billion. This result would obviously be higher if import cost savings were assumed to be higher than 3%, as some industry observers claim<sup>26</sup>. The Economic Committee also points out that even though the estimated gains from "full" trade facilitation are smaller than the gains from total tariff elimination, "trade facilitation has a large undeveloped potential for the improvement of economic efficiency and productivity."<sup>27</sup>

## **SIDEBAR 2: APEC Mutual Recognition Agreements**

The APEC Mutual Recognition Arrangement (MRA) for Conformity Assessment of Telecommunications Equipment when fully implemented will streamline trade in telecommunication products as well as cutting the costs of telecommunications devices such as telephones, fax machines, modems and radio transmitters. The purpose of the MRA is to reduce the need for multiple testing of products, through the mutual recognition of standards and tests in participating economies. Trade in telecommunications equipment in the region is estimated to be worth US \$50 billion a year and the MRA is predicted to save 5% of the cost of new product placement, cut six months off the time to market, and reduce marketing costs for new products by up to 30%. Implementation of the MRA began in July 1999 with nine participating economies (Australia, Canada, Japan, Hong Kong, Peru, Republic of Korea, Singapore, Chinese Taipei, and USA) involved in Phase I (mutual recognition of test results).<sup>28</sup>

## **SIDEBAR 3: E-commerce Can Bridge the Digital Divide**

A Guyanan weaver's cooperative has turned to 19<sup>th</sup> century illustrations of hammocks used by European travelers in the region to revive the ancient art of hammock weaving. Three hundred women are involved in this project. They reintroduced the process of cultivating cotton and hand weaving to the region. They then took their product online, hiring one of their members to create a website. By the mid 1990s, the weavers of the Rupununi Weaver's Society had

sold hammocks to Queen Elisabeth, Prince Phillip, the Smithsonian Institute and the British Museum. Since mid-1998, the society has sold hammocks over the Internet to people around the world for as much as US\$ 1000 each.

The tea and coffee industry is another example of the development prospects of e-commerce. Information and Communications Technology (ICT) has facilitated the holding of online auctions of coffee and tea originating in Africa and Asia, which led to the closure of the London Terminal Auction in 1998. Today, a number of websites provide coffee and tea farmers in the developing world with news, agronomic advice and risk management tools. Web-based exchanges allow farmers to buy farm inputs online as well as to find buyers. By having access to current market information, farmers are in a better position to deal with traders and other middlemen. Some coffee farmers use ICT to bypass middlemen, increasing their share of product sales.

#### **SIDEBAR 4: Ecotech for Customs Modernization**

The CTI Sub-Committee on Customs Procedures (SCCP) is using Ecotech, which supports trade liberalization and facilitation, to help developing APEC members work toward their Osaka Action Agenda objectives. One project offers technical assistance on the WTO Valuation Agreement by providing APEC developing members with needs analysis; advice on organizational structure; legislative framework; and delivery of the World Customs Organization's Customs Valuation Training Course, as well as development and delivery of other training modules. To date, 10 APEC economies have received assistance under this project, which is co-ordinated and led by Canada and the United States, with the support of Australia and New Zealand. Adoption of the Valuation Agreement will lead to more transparent and consistent determination of the value of imported goods, thereby providing greater certainty for importers, exporters, and manufacturers on their costs related to imported finished goods and components.

#### **SIDEBAR 5: Examples of World Bank Trade-Related Lending in 1999**

##### **The Ghana Trade and Investment Gateway Project**

This project aims to increase export growth and encourage export-oriented investors to locate in Ghana. Trade facilitation measures were part of the package of assistance, including operational procedures and ISO 9000 compliance in the implementation of Customs Excise and Preventive Services.

##### **Turkey's Industrial Technology Project**

The EU is Turkey's major trading partner and an important source for further export growth. To access the EU market, however, Turkish exporters have to address an array of quality standards and regulations. The Bank is providing US\$ 155 million to help Turkey bring its technological infrastructure and services in line with international standards, thus facilitating trade.

\* See Estimated World Bank Lending Related to Product Standards – FY99 table on page 18.

**Estimated World Bank Lending Related to Product Standards-FY99 (Million U.S. Dollars)**

	<b>Structural Adjustment</b>	<b>Investment Lending</b>	<b>Total</b>	
<b>1-Investment in standards</b>	0.00	48.00	<b>Direct standards related lending</b>	<b>Total direct and indirect standard related lending</b>
<b>2-Assist in adopting standards</b>	0.00	102.25	150.25	419.20
<b>3-Government</b>	268.95	0.00	<b>Indirect standards-related Projects</b>	
			268.95	Total with customs
<b>4-Customs</b>	573.8	36.90	<b>Total Customs</b> 610.70	925.35

<sup>1</sup> Investment in standards infrastructures, metrology, calibration, laboratory accreditation systems, testing, certification programs, and other mechanisms

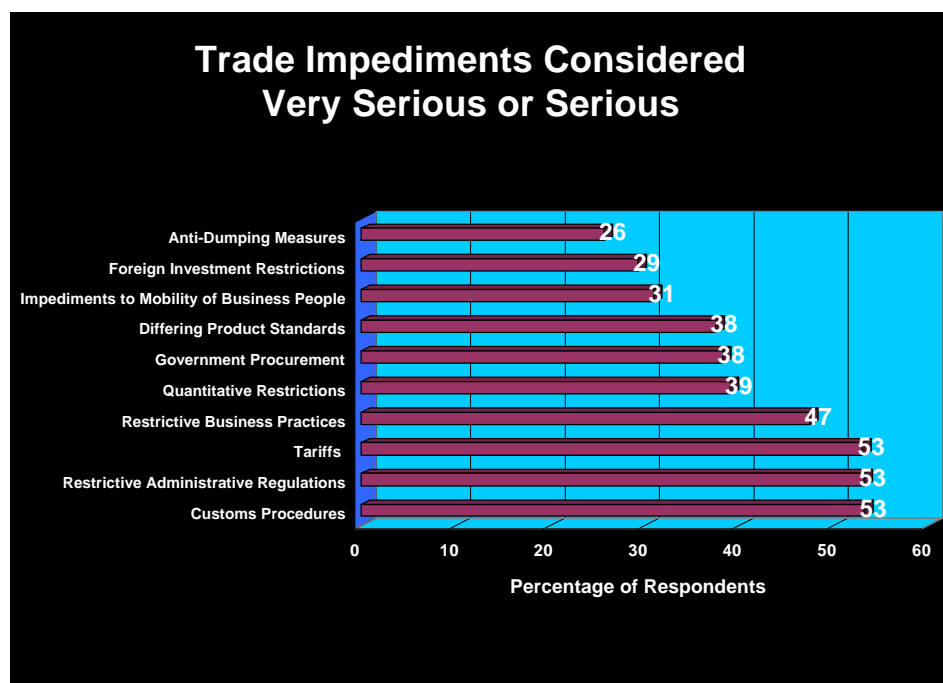
<sup>2</sup> Assist firms to adopt/comply with international standards, including implementation of quality standards programs,

<sup>3</sup> Government regulatory reform projects, health, safety, environmental regimes across industry sectors.

<sup>4</sup> Reduction of red tape in customs clearance; simplification of export/import procedures; modernization of customs infrastructure

Source: "The World Bank Trade-Related Assistance in Standards and Regulatory Reform: Recent Experience, Research, and Capacity Building Initiatives" by John S. Wilson, Paper for the WTO Workshop on Technical Assistance and Special and Differential Treatment in the Context of the TBT Agreement (July 2000).

SIDEBAR 6: Facilitation Issues Top List of Trade Impediments  
Trade Impediments Considered Very Serious or Serious



Source: "Survey on Customs, Standards, and Business Mobility in the APEC Region," in Report by the Asia Pacific Foundation of Canada, for the APEC Business Advisory Council (ABAC), July 2000.

[www.asiapacific.ca/analysis/pubs/listing.cfm?ID\\_Publication=111](http://www.asiapacific.ca/analysis/pubs/listing.cfm?ID_Publication=111)

<sup>1</sup> World Bank, Trade Blocs, Ottawa: Renouf Publishing Co., Ltd., October 8, 2000.

<sup>2</sup> F. Bergsten, "Towards a Tripartite World - By Invitation: Fred Bergsten on the Revival of East Asian Regionalism," in The Economist, July 15, 2000.

<sup>3</sup> M. Finger and P. Schuler, Implementation of Uruguay Round Commitments: The Development Challenge, Washington D.C: World Bank, 1999.

<sup>4</sup> Y. P. Woo, "APEC After 10 Years: What's Left of Open Regionalism," in APEC Commentary, New York: Oceania Publications, 1999.

<sup>5</sup> A summary of the workshop and selected papers can be found at [www.worldbank.org](http://www.worldbank.org)

<sup>6</sup> The World Bank has a research project underway on regulatory reform and standards, which includes analysis of the relationships between reform in domestic regulatory systems and related trade objectives and the synergies of reform. For background see; [www1.worldbank.org/wbi/trade/Standards.html](http://www1.worldbank.org/wbi/trade/Standards.html)

<sup>7</sup> G. L. Parayno Jr., "The APEC SCCP – An Assessment of its Trade Facilitation Work," in Workshop on Trade Facilitation in APEC: New Directions and the Development Challenge, Singapore: September 12-14, 2000.

<sup>8</sup> J. S. Wilson, Standards and APEC: An Action Agenda, Washington, D.C: Institute for International Economics, 1995.

<sup>9</sup> J.S. Wilson, "Telecommunications Liberalization: The Goods and Services Connection," in Unfinished Business: Telecommunications After the Uruguay Round, G. C. Hufbauer and E. Wada, eds., Washington, D.C: Institute for International Economics, 1997.



---

<sup>10</sup> C. L. Mann, "Electronic Commerce, Trade Facilitation and Economic Development," in Workshop on Trade Facilitation in APEC: New Directions and the Development Challenge, Singapore: September 12-14, 2000.

<sup>11</sup> C. L. Mann, S. Eckert and S. C. Knight, Global Electronic Commerce, Washington D.C: Institute for International Economics, 2000.

<sup>12</sup> "Survey on Customs, Standards and Business Mobility in the APEC Region," in Report by the Asia Pacific Foundation of Canada, July 2000,

<[www.asiapacific.ca/analysis/pubs/listing.cfm?ID\\_Publication=111](http://www.asiapacific.ca/analysis/pubs/listing.cfm?ID_Publication=111)>

<sup>13</sup> APEC Tariff Database <[www.apectariff.org/](http://www.apectariff.org/)>

<sup>14</sup> L. A. Winters, "Trade Policy as Development Policy: Building on Fifty Years' Experience," High-level Round Table on Trade and Development: Directions for the Twenty-first Century, Bangkok: 12 February 2000.

<sup>15</sup> For an overview of this work see <[www.worldbank.org/research/trade/index.htm](http://www.worldbank.org/research/trade/index.htm)>

<sup>16</sup> OECD Working Paper, 1997 in A. McCarty, "Standards, Regulatory Reform and Development in APEC: Case Studies of Vietnam and Thailand," in Workshop on Trade Facilitation in APEC: New Directions and the Development Challenge, Singapore: September 12-14, 2000.

<sup>17</sup> WTO, Development Aspects of Trade Facilitation WT/COMTD/W/57 25 February 1999.

<sup>18</sup> World Bank, Trade Blocs, Ottawa: Renouf Publishing Co., Ltd., October 8, 2000.

<sup>19</sup> Nguyen Hu Thien, "Standards and Regulatory Reform, in the Asia Pacific – A Development Perspective," in Workshop on Trade Facilitation in APEC: New Directions and the Development Challenge, Singapore: September 12-14, 2000.

<sup>20</sup> J. S. Wilson, "The World Bank Trade-Related Assistance in Standards and Regulatory Reform: Recent Experience, Research, and Capacity Building Initiatives," in WTO Workshop on Technical Assistance and Special and Differential Treatment in the Context of the TBT Agreement, July 2000, and J. S. Wilson "The Post-Seattle Agenda of the World Trade Organization in Standards and Technical Barriers to Trade: Issues for the Developing Countries," January 1999.

<sup>21</sup> The WTO and GATT already deal with a number of trade facilitation issues such as rules of origin, pre-shipment inspection, customs procedures, etc. but the scope for further rule-making in these areas remains, limited, especially without the launch of a comprehensive new global round of trade talks.

<sup>22</sup> "Assessing APEC Individual Action Plans and Their Contribution to APEC's Goals," in A Report for APEC by PECC, September, 1999.

<sup>23</sup> The World Bank is building a new database on technical and regulatory barriers to trade, which should assist in quantifying the trade impact of non-tariff barriers based on empirical analysis. For additional information, see <[www.worldbank.org/research/trade/index.htm](http://www.worldbank.org/research/trade/index.htm)>

<sup>24</sup> G. L. Parayno, Jr., "The APEC SSCP – An Assessment of its Trade Facilitation Work," in Workshop on Trade Facilitation in APEC: New Directions and the Development Challenge, Singapore: September 12-14, 2000.

<sup>25</sup> I. Kaul, I. Grunberg, and M. Stern, Global Public Goods, Oxford: Oxford University Press, 1999.

<sup>26</sup> M. McGrath, "Trade Facilitation Loses at 'Battle of Seattle'," Logistics, March 2000.

<sup>27</sup> "Assessing APEC Trade Liberalization and Facilitation – 1999 Update" in A Report by the APEC Economic Committee, September 1999.

<sup>28</sup> Technically speaking, 17 of 18 APEC parties (Chile excluded) signed the MRA in 1998 (note: Peru, Russia and Viet Nam were not members). Nine of the members as noted in the text have fully implemented Phase I with the balance committed to an implementation schedule, which stretches to 2005. In the case of New Zealand, the responsibility for setting the standards for attachment to telecommunications networks rests with network operators, not the Government. The Government has, however, endorsed the APEC MRA, which may raise the number to ten member economies who have implemented the MRA.

## Acknowledgements

The Asia Pacific Foundation of Canada (APFC) is a national non-profit organization established by an Act of the Federal Parliament in 1984. As Canada's think-tank on Asia, the Foundation brings together people and knowledge to provide the most current and comprehensive research, analysis and information on Asia and on Canada's transpacific relations. It promotes dialogue and debate on economic, political, social and developmental issues to help shape effective Canadian public and private policy. It also houses the APEC Study Centre in Canada and acts as the secretariat for Canada's participation in major institutions of the Pacific Rim — the Pacific Economic Cooperation Council (PECC), the Pacific Basin Economic Council (PBEC) and the APEC Business Advisory Council (ABAC).

Asia Pacific Foundation of Canada  
666-999 Canada Place  
Vancouver, British Columbia  
V6C 3E1  
Tel. 604-684-5986  
Fax. 604-681-1370  
[www.asiapacific.ca](http://www.asiapacific.ca)

Cdn \$9.95  
ISBN 0-9695327-5-X

*Cutting Through Red Tape: New Directions for APEC Trade Facilitation* © Asia Pacific Foundation of Canada 2000

This publication and the *Workshop on Trade Facilitation in APEC: New Directions and the Development Challenge* were made possible by generous support from the Government of Canada, the Canadian International Development Agency (CIDA), the World Bank, the APEC Secretariat, the United Kingdom's Department for International Development and the Asia Pacific Foundation of Canada. The views expressed in this publication do not necessarily reflect those of the organizations listed above.

### AUTHORS

Yuen Pau Woo  
Vice President, Research and Chief Economist  
Asia Pacific Foundation of Canada

John Wilson  
Lead Economist, Development Economics,  
Development Research Group  
The World Bank

### RESEARCH

Shelley Balshine  
Graduate Researcher  
Asia Pacific Foundation of Canada