



# **Trade Facilitation-- New Area<sup>1</sup>**

## **ADB High-Level Meeting on WTO Key Doha Round Issues**

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<sup>1</sup> The views expressed in this paper are the views of the author and do not necessarily reflect the views or policies of the Asian Development Bank (ADB) or its Board of Directors or the governments they represent. ADB makes no representation concerning and does not guarantee the source originality, accuracy, completeness, or reliability of any statement, information, data, finding, advice, opinion, or views presented.



# WCO in brief

- **Independent intergovernmental organization specialized in customs matter**
  - **Established in 1952 in Brussels**
- **168 member customs administrations, covering 99% of world trade**
- **Mission: Efficiency and effectiveness of customs**
  - **Standards setting**
  - **Promotion of international co-operation**
  - **Technical Assistance (TA) & Capacity Building (CB)**
- **Cooperation with WTO**
  - **Tariff classification (Harmonized system)**
  - **Valuation**
  - **Rules of origin**
  - **Border protection of IPR (Intellectual Property Rights)**



# WTO Trade facilitation agenda - background

- Along with GATT tariff reduction, increased awareness of trade transaction costs (2-10%)
  - WTO scope limited to border procedures
- Is it really a new area?
  - Classic GATT 1947 rules on border procedures
- Standards & best practices developed in customs area in responding to **the changing environment**
- Improvements in GATT articles to draw on these works and encourage their implementation under the WTO framework



# Recent evolution of environment for customs & border agencies (1)

- Continued growth in trans-border movement of goods, people, information & capital
- Modern technology
  - Transport
  - Information & Communication Technology (IT)
    - E-commerce – paperless trade
- Global production & distribution system
  - Intra-company/group trade
  - Efficient logistics required
- Administrative reform
  - limited resources, integrity (good governance)



# **Recent evolution of environment for customs & border agencies(2)**

- **Transparent, predictable & speedy procedures**
  - Implementation of int'l rules and standards
  - Use of modern technology
  
- **Contribution to economic development**
  - Competitiveness in improving investment climate
  - Global & regional trade integration
  - Improved revenue collection
  
- **Trade security**
  - 9/11 terrorist attacks – trade supply chain
  - Health & safety - drug trafficking, counterfeiting ..
  - Trans-border organized crime



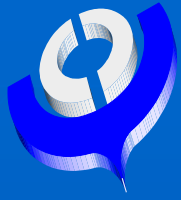
# Evolution of customs





# Challenge for customs

- **Achieve effective and efficient control in a wide range of missions**
  - Revenue, economic interest, protection of society, security
- **Respond to the growing needs for trade facilitation**
- **Implementation of modern customs procedures, based on international standards**
- **Need for a higher political support**
  - Getting rid of red tape by simplifying customs procedures
  - Cooperation with other border agencies and trade in achieving more expeditious movement of goods



# WTO TF Developments

**1996 Dec**      **Singapore Ministerial Conference**  
(TF as one of four “new areas”)

**2001 Nov**      **Doha Ministerial Conference**  
(Launch of the Doha Development Agenda)

**2003 Sep**      **Cancun Ministerial Conference**

**2004 Aug**      **July Package** (agreement on modalities,  
the only “new area”)

**2004 Nov- 2005 July**      **WTO Trade Facilitation**  
**Negotiating Group meeting (6 meetings)**



# **International Customs Community's Message to the WTO Cancun Ministerial Conference**

**(adopted by the WCO Council in June 2003)**

## **Potential benefits of WTO work**

- **Political will for simplified border procedures**
  - **Ministerial level commitment by WTO**
- **Support and co-operation with trade community**
- **Awareness of customs requirements and improved compliance**
- **Greater co-operation with other border agencies**
  - **Single window**
- **Impetus for a comprehensive customs capacity building**
  - **Infrastructure, institutional reform**



# **International Customs Community's Message to the WTO Cancun Ministerial Conference** **(adopted by the WCO Council in June 2003)**

## **Suggestion to maximize the benefits**

- **Participation of customs administrations in preparing national positions**
- **Enhanced co-operation in the work of WCO and WTO**
- **Involvement of other border agencies**
- **Need full support for the customs capacity building efforts**



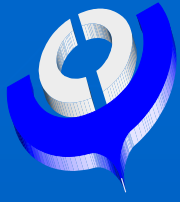
## **WTO July Package – modalities of negotiations (August 2004)**

- Clarify and improve the GATT Articles V (transit), VIII (fee & formalities) & X (publication & appeal)
- Co-operation on customs compliance issues
- Special & differential treatment (S&D)
  - Transitional period, implementation capacities
- Provision and review of TA & CB
- Identify trade facilitation needs and priorities
- Role of relevant international organizations
  - TA/CB with IMF, OECD, UNCTAD, WB, WCO
  - Take due account of the relevant work of the WCO and other Int'l organizations



# **Progress on WTO TF negotiations (1)**

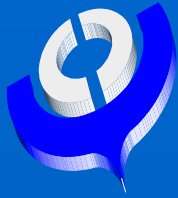
- **Awareness raising & education for negotiators**
  - **Geneva / Regional seminars**
- **Presentations by int'l organizations on the available trade facilitation tools and experience**
  - **Past trade facilitation efforts, cost implication**
  - **Information note on WCO instruments**
  - **Revised Kyoto Convention on Simplification and Harmonization of Customs Procedures**
    - **Blueprint of modern customs procedures to implement effective controls and facilitate legitimate trade**



# Revised Kyoto Convention

(adopted by WCO, June 1999)

- Originally adopted in 1973 (in Kyoto) with 63 parties
- Revision to keep abreast of developments in IT and customs control techniques in 1999
  - Standards (stipulated as provisions)
  - Implementation guidelines (flexibility)
- Ratification (38 out of 40 needed for entry into force)
- Enforcement
  - peer pressure
  - market sanction
  - Technical assistance



# Key Principles of Kyoto

- **Transparency and predictability**
- **Maximum use of information technology**
- **Risk management**
  - Shift from 100% physical inspection
  - Efficient resource allocation
- **Simplified procedures for authorized traders**
  - Benefit for traders with good compliance record
- **Audit-based control**
- **Partnership with trade**



# WCO Complements WTO

## WTO/GATT 1994

- Article V- Freedom of Transit
- Article VIII – Fees/ Formalities
- Article X – Publication & appeals

## WCO (Kyoto)

- Effective rules for transit procedures
- Fees limited to the cost of services rendered
- Simplified procedures and limited data requirement
- Publication of regulations
- Appeals

*Rules*

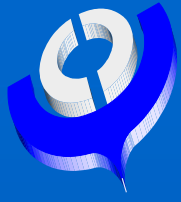
**Compatible &  
Complementary**

*Tool to implement  
WTO rules*



# Security concern

- **Security of international trade supply chain as a basis for global trading system**
  - Terrorist threats – global issue
- **Need for global cooperative arrangements**
  - Avoid difference in national approaches
  - Complementary to existing bilateral & regional security initiatives
  - Avoid marginalizing developing countries
- **Need to facilitate legitimate trade**
  - New arrangements based on the revised Kyoto Convention and other WCO instruments
  - Compatible with WTO rules



# **WCO Framework of Standards to secure and facilitate global trade**

- **Adopted by the WCO Council in June 2005**
- **Use of advance electronic information to identify high-risk cargo**
- **Consistent risk management**
- **Inspection on outbound cargo, using technology**
- **Benefit of facilitation for legitimate trade**
- **Customs-customs, customs-business cooperation**
- **Security and facilitation as two sides of the same coin – efficient & effective customs**



# **Progress on WTO TF negotiations (2)**

## **Submission of proposals by WTO members**

- **Article V (transit)**
  - **Simplification & transparency of procedures**
- **Article VIII (fees & formalities)**
  - **Risk management, pre-arrival clearance**
  - **Automation, submission of electronic data**
  - **Single window, border-agency coordination**
  - **Time for clearance**
- **Article X (transparency & appeal)**
  - **Use of web site, notification of legislation to WTO**
  - **Advance rulings, single inquiry point, consultation**
  - **Appeal procedures**



# **WCO instruments addressed in the WTO proposals**

- **Revised Kyoto Convention**
- **Harmonized System on tariff classification**
- **Istanbul Convention on temporary admission**
- **Immediate Release Guidelines**
- **Customs Data Model**
- **Time Release Study Guide**



## **Progress on WTO TF negotiations (3)**

- **Submission from both developed and developing countries**
  - **Win-win situation, south-south trade**
  
- **WTO compilation of proposals**
  - **All customs-related matters covered by the revised Kyoto Convention with difference in the degree of detail**
  - **So far focused on customs matters with growing recognition of the need for a wider scope**
  - **Scope of obligation?**
  - **S&D**



## Progress on WTO TF negotiations (4)

- **Capacity building**
  - Negotiators / Implementation of commitments
- **Identification of TF needs & priorities**
  - Self-assessment checklists
  - Time Release Study
- **Coordination mechanism**
  - WTO web site – WTO/OECD database
  - Global Facilitation Partnership for Transport & Trade (GFP)  
[www.gfptt.org](http://www.gfptt.org)
  - Regional level
- **Political commitment for ownership approach**
  - Sustainable resources
  - Accurate diagnosis and program with realistic expectation



# **Self-Assessment Checklists**

- Snapshot of border procedures in relation to the GATT articles V, VIII and X
- Promote dialogue between customs, trade ministries, other border agencies at national level
- Enable Geneva-based negotiators to participate in the negotiation
- Pilot projects with the World Bank / WCO
  - Jamaica, Uganda, Sri Lanka
- Proposal-based checklists under preparation
  - WTO checklists

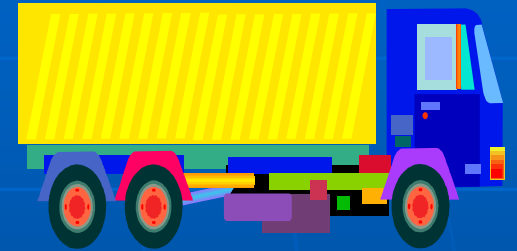


# Time Release Study

- To measure the average time between the arrival and the release of goods – and each step
- Useful tool
  - to identify problems and bottlenecks, caused by customs, other border agencies and trade;
  - to measure performance of IT and other facilitative measures (e.g. introduction of pre-arrival declaration); and
  - to stimulate efforts to improve the efficiency and effectiveness
- WCO guide available
  - Example of Kenya



# Time Release Study (image)



Arrival of vessels



Lodge import  
declaration  
to Customs

Lodge import  
declaration  
to Customs

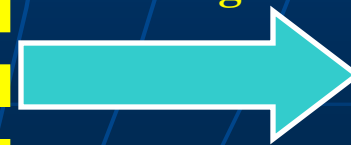


Obtain import  
permission

Obtain import  
permission



Delivery of  
Goods from  
The Customs  
storage

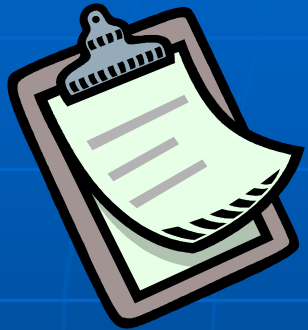




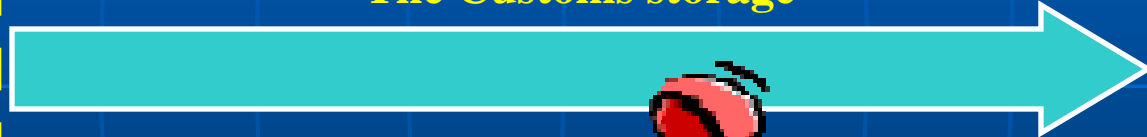
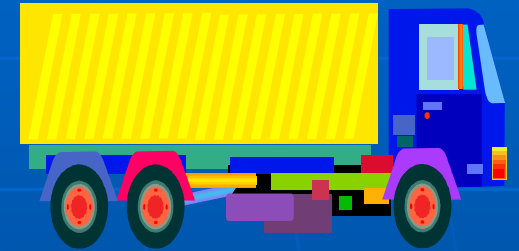
# Time Release Study – mode of transport/ content of cargo



# Time Release Study – pre-arrival lodgment of declaration



Arrival of vessels  
↓  
Delivery of  
Goods from  
The Customs storage

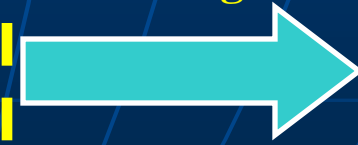


Obtain import  
permission

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Delivery of  
Goods from  
The Customs  
storage

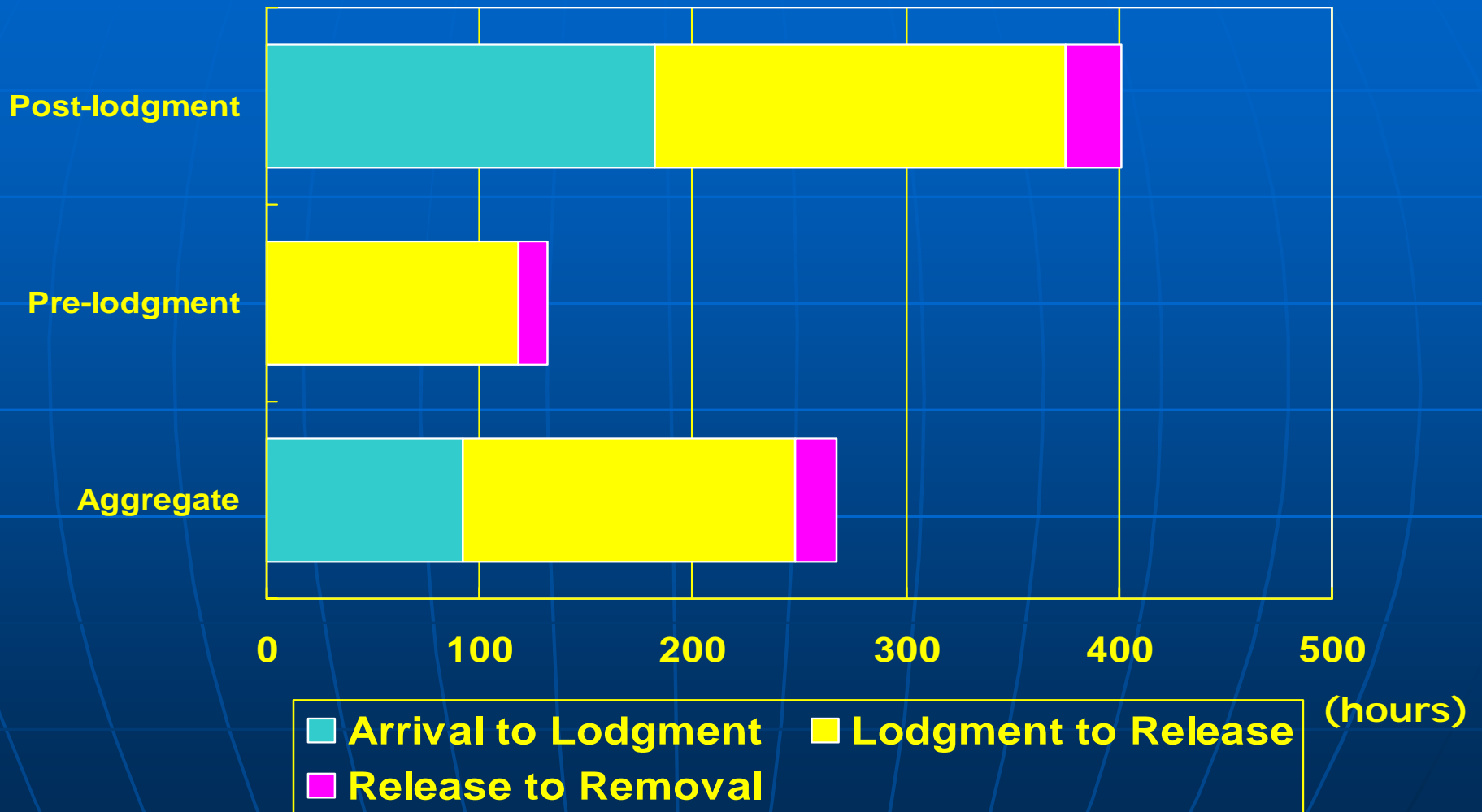


File import declaration  
to Customs  
↓  
Obtain import permission





# Time Release Study – pre-arrival lodgment of declaration



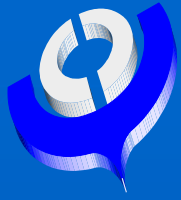
# Time Release Study – requirement by other border agencies





# The way forward

- **Further meetings in Geneva**
  - Substantial negotiations on proposals expected
- **WTO Ministerial Conference in Hong Kong, China (Dec 2004)**
  - Providing a basis for an agreement
  - Also depend on the progress in other Doha Agenda
- **Maximization of the potential benefit**
  - Coordination between trade ministries, customs, other border agencies, involving trade community
  - WTO to provide a framework of cross-cutting border procedure issues and coordination for international organizations and initiatives



**Thank you very much!**

**For more information, please visit**

**WCO Web-site: [www.wcoomd.org](http://www.wcoomd.org)**