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Session: Gains from Trade Facilitation

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Improving the Gains in 2007

Purpose: Information

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Before turning to the development of APEC's second trade facilitation action plan (TFAP II) which will be a major deliverable for APEC this year, I think it is worth reflecting just briefly on the important role trade facilitation has played in the forum's agenda since 1989.

That trade facilitation has been so important for APEC is of course no surprise in this era of globalisation, which has been accompanied by a marked decline in traditional trade barriers such as tariffs. Increased trade flows and complex supply chains are now a prominent feature of the international trading landscape. Considering this trend in the context of the APEC region in the 5 years to 2005, APEC's intra-regional merchandise exports and imports both increased by 9 per cent per annum. In 2005, 70 per cent of APEC members' merchandise trade exports and 68 per cent of merchandise imports were within the region.

This increase in both the volume and complexity of trade has meant that policy makers have had to focus on ways to keep trading procedures as simple, predictable and transparent as possible to support the efficient pursuit of commerce. This was something APEC recognised from its early days, both in support of cross border regional trade in the region and in support of the trade liberalisation efforts being pursued in the WTO. Since 1994, APEC's trade facilitation agenda has been making an important contribution to the Bogor goals.

APEC's uniquely non-binding, non-rules based environment can take much of the credit for its trade facilitation successes. While some critics of APEC processes consider this a negative I see it as a real benefit. It allows member economies to discuss and pursue actions, particularly on trade facilitation, in a non-threatening environment and to consider creative solutions to problems which they would otherwise not contemplate if these were binding. It also accommodates different approaches which is particularly important in a forum made up of member economies at various stages of development. Capacity building and business input to APEC's trade facilitation work provide both substance and a practical outcomes-based focus.

All of this, and the fact that APEC came early to Trade Facilitation, certainly ahead of most other trade groupings, gives weight to APEC views on the subject.

APEC's first Trade Facilitation Action Plan, or TFAP I, was devised in response to a call by APEC Leaders in Shanghai in 2001 for trade facilitation costs in the region to be reduced by 5 per cent in the period 2002-2006. The plan proved a useful tool in focusing the forum on ways to facilitate regional trade in a more systematic and coordinated manner. It was constructed around a menu of actions and measures in the categories of customs procedures, standards and conformance, business mobility, and e-commerce, each designed to reduce transaction costs either on an individual or collective basis. APEC Ministers responsible for trade announced in November 2006 that TFAP I had met its reduction target of 5 per cent. Despite having achieved this target, the final reviewing of TFAP II, undertaken in 2006, identified some shortcomings which had affected its overall impact. These included:

1. The lack of an overarching strategic framework;
2. That although some good work on capacity building was achieved, it could have been better targeted;
3. That there was room for the quality of reporting;
4. That qualitative measurement was difficult.

Following the successful implementation of TFAP I in 2005, Leaders in Busan called for another 5 per cent reduction in trade transaction costs by 2010. In response, APEC, in consultation with business, is in the process of drafting a second Trade Facilitation Action Plan, or TFAP II, to meet the 2010 target. The plan is to be ready for endorsement at July's meeting of Ministers Responsible for Trade.

While the plan is still in the early stages of drafting, member economies have agreed on its key features. These build on TFAP I and ensure that it is more than just TFAP I repackaged. The key elements are:

1. Emphasis on Collective Actions: recognising the greater benefits which accrue to the business community when APEC works together in finding solutions to trade-related issues, the emphasis in TFAP II will be on Collective Actions and Pathfinders. Pathfinders are an important tool which allow member economies that are ready to initiate and implement cooperative activities to do so, while those not yet ready to participate may join at a later date. This approach will provide a more strategic framework.
2. An updated and revised menu of actions and measures for member economies' consideration from the four areas of Customs Procedures, Business Mobility, Standards and Conformance and Electronic Commerce. The revised TFAP I menu takes into account actions finalised, those still in progress, those no longer appropriate and new options.
3. Inclusion of elements from the wider business facilitation agenda. The reasons for referring to this work in TFAP II reflects the fact that facilitating trade is made easier when complemented by 'Behind the Border' reforms. The two are in fact a continuum. However, the nature of APEC's methods means that much of the effort put into this complimentary work is lost in reporting processes. TFAP II provides a mechanism to provide a comprehensive overview of this business facilitation work.

New Collective Actions for inclusion in TFAP II are being developed. Here are three examples already agreed:

1. Single Window Initiative – A single window facility is a tool that allows parties involved in trade and transport to lodge standardised information and documents with a single entry point to fulfil all import, export and transit related regulatory requirements. Its great benefit to business is that information only need be submitted once. Recognising the value in such a service, APEC has agreed to undertake work to put in place a framework to support their development by member economies on a national basis. This will provide a more certain and simplified regulatory environment for business.
2. Data Privacy Accountability - cross border flows are the currency of the digital economy that fuels growth in the information age. However, concerns can arise over the control of personal information leading to a lack of consumer trust and confidence in the privacy and security of on-line transactions and information networks. This can prevent member economies from realising the benefits of e-commerce. To meet this challenge, they have agreed to work together on implementation frameworks and cross-border privacy rules for accountable cross-border information flows. This work brings together regulators, law makers and industry and consumer bodies both in the creation of the rules and processes and their implementation.
3. Food Safety - a major concern for consumers, industry and government, food safety is an important public health issue. To respond to these health challenges while also ensuring that solutions do not create unnecessary barriers to trade in food, APEC is working to develop a framework to strengthen cooperation in food safety activities across member economies, as well as to share information and build capacity in the region to harmonise food safety regulatory frameworks with existing international food standards.

Some examples of APEC's business facilitation work which will be included in TFAP II include:

1. Private Sector Development Initiative - In 2005, APEC Leaders and Ministers recognised the private sector's key role in generating growth and employment opportunities within APEC economies. They also highlighted the impact that a

favourable business environment has on private sector success, particularly with regard to small and medium sized enterprises (SMEs). In response, APEC's Private Sector Development Initiative was developed with the support of the SMEWG. The PSDI focuses on several core themes that form the basis of a multi-year PSD workplan. These include 'Starting a Business', 'Obtaining Licences' and 'Access to Capital'. The initiative will help reduce the cost of doing business in the APEC region.

2. Business Integrity - In recent years APEC has given increasing priority to cooperation on measures to fight corruption and improve transparency through the work of the Anti-Corruption and Transparency Expert Task Force (ACT). Corruption poses a significant threat to domestic economic growth and regional trade. An important element of the ACT's work includes the preparation of a voluntary business code of conduct, to strengthen coalitions with the private sector in combating corruption.
3. Secure Trade - Following the September 11 terrorist attacks, APEC Leaders identified enhanced security for trade and people movement as a major priority. The STAR Initiative was thus created to assist in developing APEC policy in these key areas. Priorities for the STAR Initiative include: accelerating efforts to develop closer and more effective public-private partnerships to address security issues affecting trade and people movement; developing more effective screening techniques for people and cargo for security before transit; increasing security on ships and aircraft while en route; making business supply chains more secure; enhancing security in airports and seaports; and harmonising standards and practices among APEC economies.
4. Investment – APEC has an active work programme on investment to improve the regional investment climate. Work is progressing on Investor-State Dispute Settlement, Investment Protection Agreements, a study on the common elements of investment provisions in FTAs and ways to reduce barriers to investment in the Asia Pacific.

How APEC will measure TFAP II achievement is still to be worked through. As indicated in the TFAP I Final Review submitted to Ministers in 2006, quantitative measurement of achievement of the actions and measures taken under the menu was difficult. Even for those activities that were quantifiable, the report noted that it was not possible to adopt a one-size-fits-all measurement mechanism. In addition, some actions simply could not be measured in quantitative terms. The APEC Business Travel Card is a good example of such a measure. In extolling its virtues, business people know it is good for them, but can't actually quantify the time saved in monetary terms.

One suggested method for measuring TFAP II achievement is the use of indices such as those used in the World Bank Doing Business Study as a reference for assessing progress by member economies in reducing transaction costs against some baseline or target level. This raises other issues however - how to come up with baseline data for actions taken by a forum whose members are at different stages of development. This was an issue in TFAP I. I would welcome any views you might have on ways to resolve this. My own view is that at the end of the TFAP II drafting process, it would be desirable to have a simple measurement tool that does not detract effort from implementing the plan's activities themselves.

APEC Improving the gains in 2007



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Trade Facilitation – Why it is Important

- Business interest
- Global supply chains
- Lower trade barriers
- Transparency

Trade Facilitation & APEC

- Non-binding, non-rules based
 - Less threatening
 - Can accommodate different approaches
- Capacity Building
- Participation by business
 - Practical focus
- A proven track record
 - Important to APEC even as an emerging issue

Trade Facilitation & APEC

- Trade Facilitation Action Plan I
 - Lessons learned:
 - Lacked strategic framework
 - Capacity Building should be more targeted
 - Reporting not clear
 - Measurement difficult

TFAP II – The Next Instalment

- New target – 5 percent reduction in transaction costs by 2010
- Key features:
 - Emphasis on Collective Actions
 - Revised Menu of Actions and Measures
 - Business Facilitation
 - A continuum
 - Measurement?

TFAP II

- Examples of new Collective Actions:
 - Single Window Initiative (SCCP)
 - Data Privacy Accountability (ECSCG)
 - Food Safety Cooperation Initiative (SCSC)

Business Facilitation

- Regulatory Reform – Private Sector Development
- Promoting business confidence through integrity
- A secure trading environment
- An enabling environment for investment

TFAP II – Key Dates

- 2006 – Framework endorsed by Ministers (Hanoi, November)
- 2007 – TFAP II considered by Ministers Responsible for Trade (Cairns, July)
- 2008 – APEC sub-fora and member economies to select actions and measures for implementation (SOM I)
- 2009 – TFAP II Stocktake
- 2010 – Final Review

TFAP II – Measuring Outcomes

- Measurement in TFAP I
 - No verifiable measure
- Measurement in TFAP II?
 - Need to balance substance & measurement
 - Options

Thank you

